

22523

~~Secret~~
[]

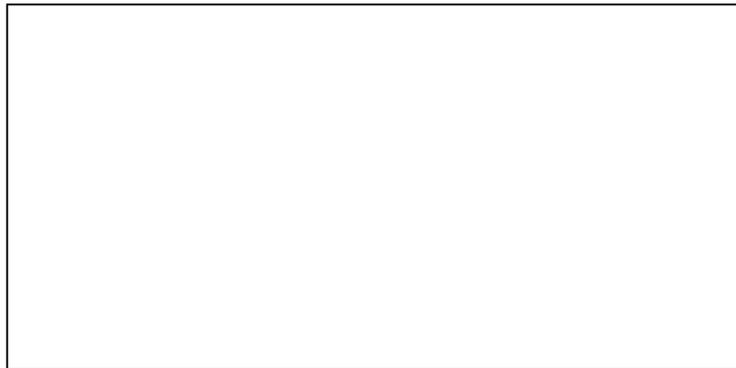


Intelligence Memorandum

World Trends and Developments

~~Secret~~
RP 77-10020
Februar, 1977

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions



Classified by
Exempt from General Declassification Schedule
of E.O. 11652, exemption category:
§ 5B(1), (2), and (3)
Automatically declassified on:
date impossible to determine

~~SECRET~~
~~NOFORN~~

CENTRAL INTELLIGENCE AGENCY
DIRECTORATE OF INTELLIGENCE
OFFICE OF REGIONAL AND POLITICAL ANALYSIS

WORLD TRENDS AND DEVELOPMENTS

February 1977

~~SECRET~~

~~SECRET~~

PREFACE

The purpose of this memorandum is to put forth a comparatively short but comprehensive view of the world scene as it appears today. Such a project inevitably involves generalizations and perspectives with which all may not agree, and includes material familiar to some but not to others.

The first chapter, an overview, suggests a way of thinking about recent world events and provides the whole a sense of continuity. Among other things, it suggests that

- deliberate provocation of a conflict leading to a struggle for national survival is remote, but crises which could escalate to that point are conceivable,
- the upwelling of human desires and demands and the willingness of people to take high risks to satisfy their desires and demands are major sociopolitical dynamics of the world of today,
- the sociopolitical forces which have brought the world to its present state of uncertainty and turbulence are far more likely to persist than subside,
- the US by itself is less able than ever to provide solutions to the problems these forces give rise to, but solutions will not be found in most instances without the US, and
- the tendency of peaceful coexistence to drift periodically into competitive tests of preeminence means that disengagement or isolation are luxuries that world events are unlikely to allow.

The introductory essay and the regional sections that follow are more problem than progress oriented, but that is not meant to imply that disaster is imminent or that opportunities no longer exist.

This memorandum was written in the Office of Regional and Political Analysis and coordinated in substance within the Directorate of Intelligence. Comments on the memorandum as a whole may be addressed to D/ORPA, [redacted]. Comments on the regional sections should be addressed to their respective authors.

III
~~SECRET~~

BLANK PAGE

CONTENTS

	<i>Page</i>
The Global Scene	1
The Forces at Work	1
Strains in the System	2
The Recent Experience	3
The Agenda for Tomorrow	7
The Dilemmas of Soviet Foreign Policy	9
Soviet Worries About the Triangle	9
The Imperatives Behind Detente	9
The Competitive Sources of Soviet-US Friction	10
The Soviet Approach to Peking	11
The Continuing Chinese Challenge to Soviet Interests	12
The Internal Dimension	12



Eastern Europe	23
The Economic Outlook	23
The Soviets	25
Poland	25
The Yugoslav Problem: When Tito Goes	26
Relations with Moscow	26
East Germany	27
The United States	27
Middle East	31



	<i>Page</i>
The Soviet Role	35
Africa	37
Southern Africa	37
The Horn of Africa	38
East Asia	43
China	43
Latin America	55
Cuba	59
Southern	60

THE GLOBAL SCENE

The Forces at Work

The world today is fundamentally one of rapidly building pressures. These come for the most part from the more and more importunate demands that societies put on their public authorities. In responding to these demands, public authorities still must reconcile conflicts of interests and allocate scarce resources between the present and the future. When the conflicts are too great and the resources too few, public policy becomes a problem of diverting or restraining the public's wants.

The driving force of egalitarianism generates many of these wants. A fair-share society in which high consumption is sustained by high rates of economic growth remains the guiding objective of the advanced industrial countries. Despite the questions raised by the environmentalists and neo-Malthusians, only minor concessions have so far been made to the doctrines of limited growth. The pauses that governments periodically have to call for are cyclical adjustments, not basic changes of goal.

Among the developing countries, only few focus on agrarian development, and the predominant model remains the Western one. Most of their governments are unwilling to slow the rush toward industrialization to absorb the social and environmental lessons of their predecessors. The pressures of expanding and more acquisitive populations are too great—the attractions of status associated with development are too appealing.

The problems of the Communist world are basically the same. The philosophy, the methods, and the levers of control are different, but the tough problems nevertheless are how to allocate resources and avoid inflation, how to restrain consumption without generating riots in the streets, and how to divert from the total product what is wanted for public investment and national defense.

The quest for secure access to scarce resources at predictable prices is one of the more obvious consequences of the universal and increasing demand for a "fairer shake." The dozen richest countries vie with each other for the huge proportion of the world's

production of basic commodities that they consume. At the moment, fossil fuels are the most valued of those commodities; in the future it may be food or usable water.

In order to buy, the buyers of course also compete to sell. And the range of marketable commodities steadily increases—to include more and more sophisticated weapons, technology, and professional services.

A most striking phenomenon of the mid-1970s, however, is the emergence of the less developed countries as an aggressive factor in the competition. A lasting impact of the oil embargo is the radical shift in terms of trade that has made the producing countries the formidable bargainers they have become in the future sharing out of the global product. Despite the deep conflicts of interest in the third world between oil and non-oil states, the embargo in effect provided the decisive push that made the transfer of wealth from North to South the critical issue it has since become.

The drive for a more equitable sharing of global goods and services has its social and political counterparts. A growing ethnic consciousness is one of them. The leveling of economic differences in some modern societies has tended to accentuate the importance attached to racial, religious, or cultural distinctions. In others, ethnic assertiveness is the outlet for economic and social grievances that public authorities have not redressed. In either case, until these drives find outlet in constitutional reform, local autonomy, separation, or even independence, they challenge the existing political structure and destabilize the international system based upon it.

The demand for recognition and enhancement of national status is another reflection of the drive for equity. Except for Africa, "wars of national liberation" have about run their course, but resistance to "domination"—by another nation or by some multinational "system"—is as much alive as ever. Such feelings have contributed deep emotion to international economic issues; they account for the slow progress of regional systems like the European Communities (EC) and for most of the issues that the North Atlantic Treaty Organization (NATO)

wrestles with; and they are at the bottom of the USSR's continuing worries in Eastern Europe.

That the most basic of human aspirations are seeking outlet—perhaps more actively and universally than at any time in modern history—does not of course mean that people, as individuals, are more free. The gains scored by pluralism in one area are counter-balanced by a drift toward authoritarian rule in another. The frequent governmental answer to pressures from below is the denial of individual rights—often defended as the price of sustaining collective identity abroad.

Strains in the System

Faced with populations increasingly disinclined to quiescence, political institutions appear more and more at bay. This seems true around the world and at most political levels.

The national governments, to which publics still primarily direct their demands, feel less in control than ever of the necessary means. Partly this is a problem of venue. On the one hand, national institutions may be too remote and aloof from day-to-day problems that need to be addressed at a lower level. On the other, problems that extend beyond national borders require diplomacy or cooperation—or force. But the weakness of national government is also a question of how securely the seats of power are occupied. The Western democracies are often hard put to accommodate the kinds of political realignments that occur today; the rigidly controlled societies—where tenure of leadership frequently depends on loyalty, ambition, and alignments in the security forces—adapt with even greater difficulty.

Since World War II, most of the efforts to deal with problems of venue with regional systems have faltered, and some of them have failed.* Governments strong enough to concede a degree of jurisdiction to regional authorities have often declined to accept the need to do so; the weak ones fear any diminution of sovereign integrity. Only the EC wields meaningful influence on public policies and has a stabilizing impact on the region as a whole. But even the Community is an unpredictable quantity, and US presence and support will have much to do with whether it will achieve its goals.

* Whether NATO, the Warsaw Pact, and the Council for Mutual Economic Assistance (CEMA) qualify as "regional systems" is a matter of definition.

If the record of international organization is less bleak, it is only marginally so, and again the outlook depends preeminently on Washington. An international monetary system based on a combination of automatic mechanisms and coordination of economic policies has given way to a "system" much more dependent on the latter—and the prospects of achieving such coordination do not appear good. The traditional self-enforcing rules of free trade have given way to expanding official intervention, and the effort to find new ways to regulate it has only just begun.

As a mechanism, the UN is generally conceded to be in a perilous state, however useful its role may be as a debating forum, or a framework for negotiation. But as the East-West conflict reduced the UN's security role to its present modest dimensions, so too do North-South differences threaten further to diminish the world organization, not only in traditional areas of competence but also in "new areas" such as environment and Law of the Sea where it is the consensus that the UN should play a vital role:

Only a few years ago bipolarism was expected to give way to multipolarism. Instead a diversity of power has emerged. The weight that the Organization of Oil Exporting Countries (OPEC) wields in the world's affairs was not clearly foreseen, nor was it expected that the shifting alliances of convenience among the less developed countries (LDCs) would become one of the "poles." Medium-size powers have proliferated, but they have not become the "center" of anything, and as they acquire significant arsenals of advanced weaponry, it is far from certain whether they provide a stabilizing or destabilizing influence.

The ambiguity of power relationships is also due to the diffusion of power *within* the two "centers" that remain authentic. It is still true that nothing truly vital can be decided in the Western camp either against or without the US. But when at odds with its allies, Washington must now carefully calculate the price of extracting consent. Neither the price nor the effectiveness of the available leverage is easy to judge.

Although the constraints on the USSR are different and probably fewer, Soviet calculations are also more complicated. The emergence in Eastern Europe of another Dubcek almost certainly would provoke—sooner or later—the same reaction from Moscow that it did in 1968. But the pressures to tolerate more from its clients and for longer—and perhaps to find other means of coping—are also there. Like the US, the

Soviet Union must more and more find that pursuit of its external objectives is a perpetual problem of balancing competing interests and of reassessing the adequacy of the means to the chosen goal.

The Recent Experience

A balance sheet of the past year, however one calculates specific gains and losses, amply demonstrates that the forces at work have lost none of their potency. In the year's two most dynamic events (Angola and Lebanon) many of them seemed operative at the same time.

Although perhaps not so clear at the outset, in retrospect certain lessons of Angola are clear:

- the West remains heavily burdened by the legacies of colonialism and racism, and the penalties for any appearance of continued association with them are high,

- the leaders of national liberation movements have no compunction about alliances with those who have no particular attachment to the ideas of national liberation or individual freedoms,

- whatever its commitment to detente and policies of restraint, the Soviet Union is a world power, highly competitive and quick to capitalize on any opportunities that develop abroad, and

- in some circumstances, the projection of American power is extremely difficult.

In becoming a pawn in the East-West competition, Angola served to rouse the specter for Africa as a whole. The most immediate area of concern is Rhodesia, followed closely by Namibia and by the increasingly bitter dispute between Ethiopia and Somalia in the Horn of Africa. Even in South Africa, the Soweto riots and their aftermath have raised to new highs the possibility of black-white turmoil that could have a destabilizing impact throughout Africa. Moreover, neither the African leaders nor the outside powers exercise effective control over the winds of change now gaining momentum. Meanwhile, even in those African states that have an affinity for the West, there clearly are definite limits to what that attachment means. While willing to cooperate with the West, there will be little sentiment for years to come to look to Western models for solutions to internal problems.

The civil war in Lebanon was a poignant reminder of the realities of the Middle East:

- the country was virtually destroyed because its virulent ethnic and religious hostilities were ignited by the Arab-Israeli issue that dominates all else in the area,

- the hapless Palestinians were shown, for the second time, that Arab support stops short when it becomes a threat to Arab regimes,

- the Israelis were given further cause to wonder about the viability of a multicultural state in a region of endemic religious, social, and nationalistic conflicts, and

- Arab rivalries again were shown to be never far below every new proclamation of solidarity.

Whether the developments of the past year in Lebanon have set the stage for more hopeful moves toward an Arab-Israeli settlement is arguable. Because of the outcome in Lebanon, the Palestinian leadership is less a free agent than ever before. For the moment, Sadat, Asad, and Husayn are more in harmony. The Saudis are using their economic leverage, including a willingness to restrain their OPEC partners, in order to encourage a resumption of negotiations. Most important, all the antagonists—including the Israelis—are strongly feeling the pressures to ease three decades of tension and attend to the economic and social problems at home.

But the obstacles to a settlement are formidable. As shown in January 1977 by the riots, the pressures that push Sadat to try for a negotiated settlement could also prove strong enough to bring him down. Asad likewise has his problems, and not all the Saudi leaders are committed to the current line. From what we know of their respective positions, the Arab and Israeli governments are still far apart on what would be "acceptable." The elections scheduled for May 1977, or even the mere fact of having to take responsibility for any agreement, could bring forth Israeli leaders much less inclined to compromise. Any agreement that survives will surely require Moscow's acquiescence.

It is not likely that Moscow has felt compensated for its losses in the Middle East by its gains in southern Africa. On balance, the past year must have been a troubling demonstration for the USSR that there are limits to—as well as opportunities for—the assertion of Soviet power and that its system is not

immune to the social and political turmoil so widespread in the world.

Apart from Africa, the USSR scored no gains abroad. Trade negotiations with the US remained in abeyance; the Strategic Arms Limitations Talks (SALT) stayed stuck on dead center. Because of its intervention in Angola, its unimpressive performance under the Helsinki agreements, and the uncertainties in the West about its strategic aims, Moscow saw its commitment to detente sharply questioned. Whatever expectations the USSR may have had from the change of guard in Peking, the PRC has remained unresponsive to Moscow's gestures. China has continued to compete for influence in Africa and elsewhere in the third world, and even pursued its efforts to stir up disaffection in Eastern Europe.

Its European bailiwick in particular must have given the Soviet Union new cause for concern. In the wake of the serious disturbances in Poland last June, Moscow felt it prudent to bail out the Gierek government with substantial loans. Dissension among the Czech intelligentsia has reached its highest point since 1973, and there have been similar signs of disaffection in East Germany. Although Moscow succeeded after 2 years of effort in cajoling the East and West European fraternal parties to meet in East Berlin, the cheekier rejected the preeminence of the Soviet party.

On the home front, Moscow seemed mostly to tread water, the major gain being the better harvest. The 25th Party Congress of February and March 1976 was unproductive. The turnover in Central Committee membership was one of the smallest in the party's history, and the problem of the aging leadership as a result remains. The 70-year-old Brezhnev—fully in charge—acknowledged the country's problems. But he offered no new departures, and the promised long-term economic plan and new constitution have yet to appear.

In contrast with the quiescent Soviet Union, the problems that rigid leadership and ideological structures have in coming to grips with the requirements of a rapidly modernizing society produced a turbulent year in China. It is apparent that, in the struggle for power, a coalition of career party cadre and military leaders has for now prevailed over the revolutionary left. In a sense, the outcome is the ascendance of *one side* of Mao who, in his own ambivalence, could appreciate the need for both.

The Chinese revolution has thus entered a new phase, although the implications of that may not be readily apparent. On the home front, the prominence of personalities like Mao and Chou in the setting of national priorities should give way to the conflict of major interest groups; ideology may give ground to pragmatism, in policy if not in rhetoric; and life for the ordinary Chinese may become less drab. Abroad, Peking is likely to increase efforts to obtain access to technology from the West. Although there may be some adjustments in the triangular relationship with Moscow and Washington, Peking will continue to consider the Soviet Union the principal threat and the US the principal counterbalance to that threat.

If the Chinese "experiment" therefore looks somewhat hopeful, the one in India is less so. The Gandhi government has made some economic progress during the year: the increase in the rate of population growth has stabilized; favorable weather resulted in better crops; and because of the greater availability of agricultural raw materials and government-enforced labor discipline, industrial production also gained. But the price paid in political terms has been a heavy one. The tough birth control measures have alienated segments of the population; the government leadership is more personalized than ever; the opposition is in disarray, and the outcome of the parliamentary elections in March will be heavily influenced by the government's control of the media and access to ample funds. The Prime Minister's testy response to her critics abroad colors the country's relationship with the West.

The overall situation elsewhere in South Asia do not appear much more promising. The problems of poverty, ethnic and religious hostilities, and official corruption are basically the same in all these countries. Each has an ingrained suspicion of the others. Their foreign policies of maneuver among the third world, China, the USSR, and the West are as much concerned with obtaining the external support and sophisticated armaments they fear they may need against one another as with finding access to the more critically needed development aid.

Farther to the east, the much greater potential for development mostly remains to be realized. Communist regimes in Indochina have only begun to cope with the problems of reconstruction and instituting a new system—problems that have been vastly complicated in Cambodia by the radical social surgery the regime opted for. Among the non-Communist states of the area—Thailand, the Philippines, Malaysia, and

Indonesia—the surface stability that currently prevails has been achieved by increasingly autocratic means. Most of them share the difficulties of developing countries dependent on extractive industries—and ethnic, religious, and insurgent movements pose more or less serious threats to national unity as well. It is unclear whether the halting efforts in the Association of Southeast Asian Nations (ASEAN) to work together that were inspired by fear of both China and Vietnam will be helped or hindered by the growing rivalry between the two.

Similar crosscurrents predominate in Latin America even though the general milieu is radically different. With the collapse of Isabel Peron's government in the spring of 1976 and its replacement by the triumvirate, the trend toward military regimes continues. Only 4 of the 18 governments in Middle and South America are now authentically civilian. Some of the military regimes are social reformist in character. But to one degree or another, they are also repressive: electorates are largely disenfranchized, the media are cowed, and the trade unions curbed. In Argentina, Brazil, Paraguay, Uruguay, and Chile, basic human rights are frequently violated. And while the opposition ranges from the terrorist left through the Communists to the indigenous fascists on the right, it often also includes the democratic middle.

Apart from coping with their perceived enemies, much of what the Latin American regimes—civilian and military alike—have done at home in the past year was done in the name of economic stability and development. Dealing with the problems of overpopulation, undercapitalization, and single-resource economies has been made even more difficult by the burdens of foreign debt, huge budgetary deficits, and still raging inflation. Controls and restraints have aggravated unemployment. While leaders like Brazil's Geisel still push an aggressive mixture of state capitalism and private enterprise as the route to development, others like Guyana's Burnham and Jamaica's Manley are moving more and more toward experiments with authoritarian socialism.

Without the substantial military presence in their governments, the nations of Latin America would perhaps be still more antagonistic to the West. But even so, they have not been strongly supportive of Washington's major objectives.

Argentina and Brazil remain important holdouts against signature of the Non-Proliferation Treaty (NPT). Brasilia's contracted purchase of a fuel reprocessing plant from Germany has become a well-

known test of whether the world's requirement for nuclear energy can be accommodated without the attendant risks of proliferation. The military-dominated regimes in the Andean region have embarked on an arms race which, while picayune by Middle East standards, is destabilizing in the hemisphere. Latin America generally has contributed drive and sometimes leadership to the demands for a New International Economic Order.

Whether, the industrialized free world would have found the "will" to attend to the winds from the "South," but for the oil embargo is questionable. In any case, OPEC's strong-arm tactics at one and the same time vastly increased the pressures to respond, seriously complicated the means, and made far more difficult the adjustment to new economic and political realities already on the way.

Characteristically perhaps, Japan has made that adjustment with the greater dexterity. It assured its continued access to oil supplies with the necessary kowtows to the producers, bilateral offers of aid, and cautious association with the consumers in the International Energy Agency. The required transfer payments were found by increasing exports to the Middle East and the Communist world. In midyear, domestic demand began to sag, and consequent Japanese trade surpluses in US and European markets aroused its Western competitors. While moving to stimulate domestic consumption over the short term, Tokyo is targeting a lower rate of growth that will diminish both the problems of inflation and Japan's demand for external resources.

Having been rudely reminded of its economic vulnerability by the oil embargo and having been forced to adjust its regional posture by abrupt US shifts in the early 1970s, Japan is not keen for radical new departures in foreign policy. Rather, it will continue to accentuate the regional status quo and work for the sort of open international economy that fits its interests as an island trading state demand. Its belated ratification of the NPT, a more cooperative attitude toward overflights and base rights, and its obvious reluctance to see any reduction in the American presence in South Korea are all a reaffirmation of its security ties with the US. Tokyo will continue to pursue relations with Peking and Moscow cautiously to avoid entanglements in their dispute and also to buttress its preeminent ties with Washington.

Among the developed countries, the implications of the OPEC era have therefore come to focus in

Western Europe where inflation, recession, slow growth, and payments deficits have aggravated political situations that already ranged from the problematic to the precarious. The range of economic uncertainty is likewise great: from the least (Germany) to the most (Portugal). But in between are such key countries as the UK, France, and Italy—in all of which investment lags, inflation ranges from 10 to 20 percent, and labor is increasingly restless under austerity policies and restraints. The gap between the better and worse off in the EC is a serious obstacle to the goals of economic and monetary union. They are unified enough that they cannot insulate themselves from each other's problems, but not sufficiently united to find a reliable way to address them together.

That many West European countries are in one stage or another of serious and potentially radical social and political upheavals adds to the uncertainty. In three countries—Greece, Spain, and Portugal—successor governments are attempting to foster pluralistic systems after authoritarian regimes that had lasted from 7 to 40 years. The questions of when, how, and to what extent struggling democratic elements should be supported have come up again and again.

Italy has yet to come to grips with last June's elections, the collapse of the alignment of center forces that had governed for most of the postwar period, and the alternative now offered by the Communists with their attractive and professedly responsible leaders. The rebirth of the French left promises to test the constitution that, designed by and for de Gaulle, makes no provision for an Assembly and President of opposing views. Even in Britain, the projected "devolution" of authority to Scottish and Welsh assemblies may eventually entail fundamental changes in British political life.

Like the Japanese, most Europeans would probably relish a period for introspection, but they are unlikely to enjoy that luxury. Relations with the East are far too intrusive, and like the US, they find the Soviet practice of detente both hopeful and distressing. The management of those relations is likely to become even more complicated in the future as the ties between Eastern and Western Europe are extended, delicate transitions to new leaders are accomplished (peacefully or not), and the Soviet hold in Eastern Europe perhaps becomes less than complete. Among the West Europeans themselves, the perennial competition will intensify between the desirability of maintaining a common front in their approach to the

East and the attractions of individual commercial and political advantage by going it alone.

The Europeans also have no escape from their Atlantic ties, nor does the vast majority wish for one. The brief and scarcely wholehearted flirtation with a "European Europe" in the early 1970s came abruptly to an end with the oil embargo, and not since the postwar recovery have Europe's feelings of dependency seemed more complete.

This makes the relationship more difficult, not less. The Europeans feel more directly threatened by any shift in the US strategic posture or by any compromise contemplated in SALT. They are extremely sensitive to any possibility that Washington will be tempted to feel that the security it provides should be "paid for" by Europe with concessions in other areas. They think a better balance of responsibilities within NATO highly desirable, but perceive a measure of ambivalence in the US attitude—toward, for example, the arms standardization effort in the European Program Group. Europe thinks itself Washington's single most important interlocutor. But it often lacks the single voice, and when multiple bilaterals are substituted, those left out are deeply offended.

Western Europe is profoundly engaged—perhaps more so than any others—by the complex of North-South issues. There are numerous reasons for this: its preeminent role in world trade; its greater dependence on external resources and vulnerability to their cutoff; the ex-colonial ties; a proximity to the Middle East that directly involves its security; and the network of trade and associative ties with the Mediterranean, former colonial, and Commonwealth countries that link them to the EC.

Europe thus brings to these issues special assets, but, when it can get together, a point of view that is often at odds with Washington. It is willing to concede more in trade preferences, organized markets and commodity agreements, government-to-government aid of one kind or another, and new international machinery—even if only cosmetic in purpose.

These differences will be very much with us in the next few months. The Conference on International Economic Cooperation that recessed in December to allow the new administration time for review is expected to reconvene during 1977. Talks are also scheduled to begin in March in the UN Conference on Trade and Development (UNCTAD) on a fund to stabilize raw materials prices, and there are several other forums in which the North-South issues will be

aired. Apart from the stabilization fund, the LDCs want the industrialized countries to increase aid, provide debt relief, improve market access, guarantee transfers of technology, etc. There are degrees of intransigence among the LDCs on these demands, but unanimity is also lacking on the Western side. Unless some accommodation can be found, however, the accumulating tensions lead to recalcitrance when other issues that require international cooperation—energy, terrorism, non-proliferation, the oceans—come up for decision.

The Agenda for Tomorrow

The world situation today is thus one in which the relative absence of armed conflict gives a deceptive appearance of tranquility. The realities instead are societies in various stages of rapid and often violent change, governments that barely keep ahead of or try to resist the pressures from below, and international economic, political, and security systems that are prone to periodic breakdowns.

High among the questions of obvious concern to governments around the world are the scope and nature of the future US role in the world. In the immediate aftermath of Vietnam and Watergate there was widespread belief abroad that the US was headed into a prolonged period of introspection, perhaps even isolationism. Over the past 2 years that point of view has receded, but many uncertainties remain.

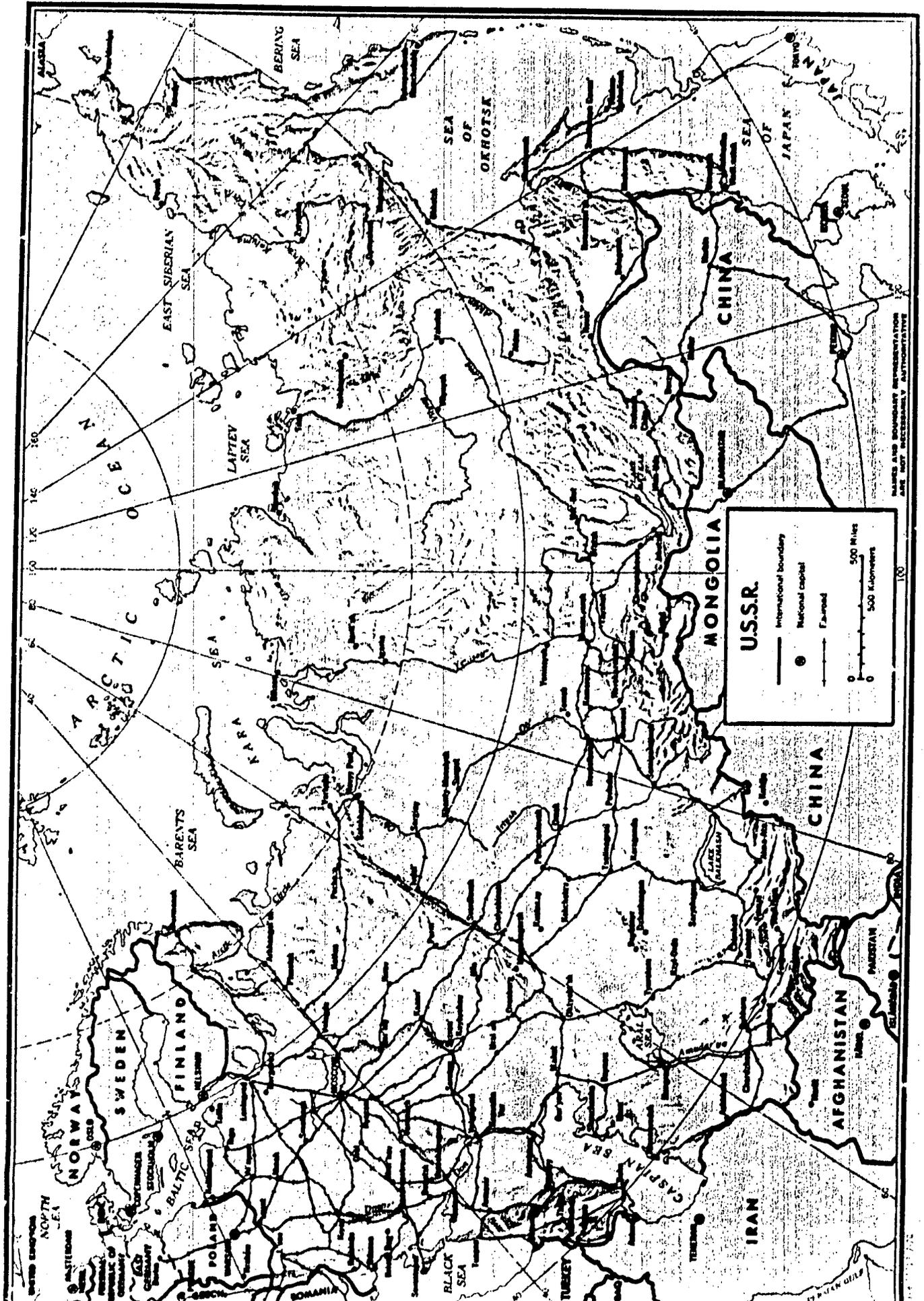
In reassessing their world role as well as that of the US, for example, all governments must wonder whether their objectives abroad are more likely to be attained by international cooperation, increased reliance on balance-of-power diplomacy, or by some combination of the two. It is almost universally acknowledged that in the past three decades, the high

hopes once held for an encompassing "world system" have been badly disappointed and only in the past year or so has interest in international "engineering" seemed to revive.

If that interest continues, there are the familiar problems: rationalization of organizations that have proliferated with questionable effectiveness since World War II, a more equitable distribution of influence and responsibility within them, and more effective enforcement powers. There are also the difficulties of how to limit the membership of special purpose organizations, how much emphasis to put on regional groupings, and how to relate these to the whole. If the subject matter is economic, there is the problem of blending state and free market systems and how much can be left to self-regulating mechanisms.

But if the emphasis settles on careful calculations of how to maintain a global balance, the questions are of another sort. In much of the world that is important to the US today, there is no preeminent power or obvious interlocutor, the kinds of power to be "balanced" have become both diffuse and diverse, and the interlocking of political, economic, and security interests is increasingly complex.

But the overriding issue is whether some new concept of an acceptable relationship with the Soviet Union will emerge from the uncertainties of the past few years. Further advances of "Eurocommunism" in the next year, the continued disparity of forces between East and West in Central Europe, another unexpected assertion of Soviet power such as the one in Angola, disaffection and perhaps less than peaceful transitions of authority in the Soviet camp, and a new drive to turn back the strategic arms race would be a good deal to accommodate without clearer perceptions of the meaning—or meanings—of detente.



THE DILEMMAS OF SOVIET FOREIGN POLICY



As Moscow surveys the foreign policy issues to be dealt with in the coming year, it has two leading concerns. One is how to get the bilateral relationship with Washington, which sagged badly in 1976, moving again. The other is how to begin to make progress with the new leadership in Peking. These two central problems are closely interrelated in Soviet thinking; they have some impact on almost all other aspects of Soviet policy abroad. Meanwhile, the problem of improving the Soviet position in this triangle is further complicated by Moscow's continuing determination to press its competitive interests against those of Washington and Peking in all parts of the world.

Soviet Worries About the Triangle

Last year, the Soviets showed considerable uneasiness over reports in the Western press that the US might consider selling arms to China. The Soviet press quickly castigated "certain circles" in the US for desiring to contribute to China's militarization, and Soviet diplomats buttonholed their US counterparts to determine the accuracy of these reports. This reaction indicates the degree of Soviet nervousness about the Washington-Peking relationship, even in a year like 1976 when little bilateral progress was made in Sino-US relations. Soviet leaders have for years worried that the US and others might gain leverage from Moscow's difficulties with China to drive harder bargains with Moscow elsewhere in the world, and have asserted their belief that the US-China relationship makes the Chinese more recalcitrant toward the USSR.

The Imperatives Behind Detente

Soviet detente policy toward the US and the West is motivated by other factors besides concern about China. When this policy began to take firm shape in 1969, it was influenced, among other things, by strategic arms developments which made SALT talks appear potentially profitable, a heightened realization of Soviet needs for Western technology and capital, the prospect of useful negotiations with a new West

German Government, and the growth of Brezhnev's personal authority and confidence, which made new ventures politically feasible.

Superimposed on this, however, was the drastic worsening of Sino-Soviet relations in 1969 and the accompanying Soviet fear of Sino-US rapprochement. The increasingly hostile force to its east made it imperative for Moscow to get its house in order to the west, above all to head off possible Sino-US collaboration to the detriment of Soviet interest.

Soviet efforts to prevent this eventuality have continued ever since and have grown in intensity since the US relationship with China emerged in 1971. The Soviets have sought—within the limits imposed by their other interests—to give the US reasons to continue to see its relations with Moscow as more important than those with Peking. To this end, the Soviets have attached special importance to weaving a web of bilateral contacts and negotiations that the Chinese cannot or will not match and that the US must view as central to its national interests.

The heart of this effort is, of course, the SALT and other disarmament negotiations, which are of enormous importance in their own right. At the same time, the Soviets assign great significance to economic ties, where they believe they have much more to offer US business community than do the Chinese. They have a greater need for specific US high-technology items, and they have sought large US capital investments, which the Chinese have not. Even the emergence of a continuing long-term Soviet requirement for US grain, although politically embarrassing, has its advantages in Moscow's view. While sensitive to the possibility that the US might seek to use this dependence as leverage on the USSR, the Soviets see the issue as simultaneously building leverage for themselves, by creating another important US constituency with an interest in seeing the sales—and the bilateral relationship—continue.

The Soviets, meanwhile, also hope that Soviet-US dealings will continue to complicate Sino-US rela-

tions. They clearly believe that Sino-US progress on arms control and other matters causes dissatisfaction toward Washington and Peking and therefore serves as a brake on Sino-US relations. Their analysis of President Ford's December 1975 visit to China seemed to be that it was not very fruitful, and they probably gave much of the credit for this to their own successes up to that time in dealing with the US.

The Soviet assessment that Peking is discomfited by progress in Soviet-US negotiations is correct. Chinese media right now are joyfully broadcasting the paucity of Soviet foreign policy and disarmament success in 1976. Any movement on a broad range of issues with the US this year—particularly on SALT—would thus be doubly satisfying for Moscow.

The Competitive Sources of Soviet-US Friction

Nevertheless, the Soviet motives for seeking improved relations with the US are in constant conflict with other forces driving Soviet policy. In the case of SALT, the desire for agreement must be reconciled with the imperatives of an immense Soviet strategic weapons program and the still ambiguous motives and ambitions which underlie that program. More broadly, Moscow perceives its influence in most of the world as necessarily inversely proportional to US influence, and the Soviet effort to build an exclusive relationship with Washington therefore coexists with a felt need to struggle against the US in many arenas. This deeply felt competitive urge to continue to press against US interests around the world is fundamentally at odds with the parallel urge for more harmonious bilateral relations—and accounts for at least some of the malaise in the Soviet-US relationship last year.

The most notable case in point, of course, was the Soviet-Cuba intervention in Angola, a large-scale injection of power by a surrogate armed, supplied, and transported with Soviet assistance into a civil war in an area hitherto remote from Soviet interests. That intervention served to catalyze in the West for a broad reexamination of the Soviet interpretation of detente. In the eyes of some Soviets, however, Moscow's involvement may have been rationalized as consistent with past US behavior toward them in the Middle East. There the Soviets have seen their once-sizable presence dramatically cut back in recent years, and they believe that the machinations of US diplomacy, working in conjunction with Egypt and the conservative oil-producing states, have brought this about.

The involvement of the Soviets in Angola may therefore have been, at least in part, a response to their loss of influence in the Middle East. Frustrated by a combination of local trends and US initiatives to the north, they saw an opportunity to build a position in Angola and took it. They rightly calculated that, in the wake of the Vietnam experience, the US would not intervene. The victory of the Marxist faction they supported had the added advantage of putting them in a better position to compete with the Chinese among the independent African states and black nationalist movements in the area. The Soviets thus stole a march on both adversaries, although they probably misjudged the extent of the negative effect on Soviet-US relations.

Subsequently, despite the damage that Angola caused their relations with Washington, the Soviets have publicly asserted their right in principle to do the same thing again, should a suitable occasion recur. In practice, because of differing local circumstances, an opportunity to play a comparable role elsewhere may not arise for some time. But the Soviets make no bones about their hostility to initiatives likely to improve US influence in black Africa. They see such development as harmful to their efforts to expand their influence from the Angola political base through support of African nationalism. They therefore vehemently opposed and sought publicly and privately to undermine the US-sponsored peace talks on Rhodesia. They undoubtedly saw a parallel with past successful efforts by US diplomacy to shut them out in the Middle East, and they are determined to prevent this if they can.

The sharpness of the conflict between US and Soviet interests in Africa suggests that events there will continue to cause friction in the bilateral relationship over the coming year. On the other hand, despite Moscow's deep resentment over what has happened to its position in the Middle East, Soviet policy is constrained there both by awareness of the greater risks involved and by the force of unfavorable local circumstances. Conscious of their limited influence with the Arab "confrontation" states, the Soviets are likely over the near term to follow the lead of the emerging Arab consensus on both the conditions for future negotiations and their substance. They will also continue a strong involvement with such anti-settlement forces as Libya and Iraq as a means of reminding all concerned that they remain a force to be reckoned with and a potential source of disruption of any arrangements in which they do not participate. But the thrust of Soviet policy this year will continue

to be to seek a renewal of the Geneva Middle East conference, as the main vehicle through which they hope to retrieve a role comparable to that of the United States. In the meantime, they will remain alert for any opportunity to improve their relations with Egypt—the key to their lost position in the Arab world—should the Egyptian-US relationship falter. Moscow probably hopes that the new US administration in its first year will not be able to prevent this from happening.

The third area with great potential for hindering improvement in the Soviet-US relationship—and the Soviet-Chinese one as well—is Eastern Europe. Change could occur especially quickly during the next year in Poland or Yugoslavia—with Poland being the more volatile. The Gierk government narrowly averted a serious crisis last year, and economic dissatisfaction could result in worker disruptions as severe as those in 1956 or 1970. The death or disability of President Tito could also have a destabilizing effect in Yugoslavia.

An adventurist Soviet reaction to either of these contingencies in the coming year would seriously complicate relations with both the US and China. As evidenced by their reaction to the Soviet-led intervention in Czechoslovakia in 1968, the Chinese see their own security threatened when the Soviet use force against neighboring Communist states. They would presumably again lead the outcry against such a move, setting back whatever chance Moscow might have for easing the relationship with Peking. Meanwhile, the effect on US and Western public opinion would obviously be substantial.

Superimposed on all else in the Soviet-US bilateral relationship in the past year has been the impasse on trade and SALT. No progress was made toward reviving the bilateral trade agreement—important to Moscow for a variety of reasons—which the Soviets had rejected in 1975 because of the Stevenson Amendment on credit restrictions and the earlier Jackson Amendment tying emigration policies to most-favored-nation (MFN) status. When the SALT negotiations failed to make a breakthrough last March, the impetus of the 1974 Vladivostok accord likewise seemed to evaporate. Soviet leaders have since felt that election year US politics were an obstacle to bilateral progress, and expressed their unhappiness over US campaign rhetoric to American visitors such as Governor Harriman, EPA head Russell Train, and Secretary Simon. Since the election, Soviet spokesmen such as Arbatov have indicated their desire

for a gesture toward the USSR from the new administration on the trade and MFN issue. At the same time, they have repeatedly signaled their wish for an early resumption of the SALT negotiations, but here, too, insist that the ball remains in the US court.

The Soviet Approach to Peking

Moscow's attempts to deal with the Peking corner of the triangle have been frustrated from the start. Ever since the armed clashes along the Ussuri River in 1969, the Soviets have worked at opening a dialogue. They have pursued this avenue by doggedly insisting on their readiness to talk, while simultaneously building their military muscle along the border and working hard to combat and limit Chinese influence wherever possible in the world. In short, they have sought by carrot and stick to convince Peking that it is in its own best interests to negotiate and compromise.

Unlike their dealings with the US, however, these efforts have for 7 years remained stuck on dead center. For a variety of reasons, partly ideological, partly historical, but mainly based on hard calculations of national interest, the Chinese have flatly refused thus far to compromise or even to moderate their implacable hostility. Among other things, the Chinese are well aware that Moscow urgently wishes to paper over its differences with Peking in order to strengthen the Soviet hand in dealing with the US and others. The Chinese have so far seen it in their interest to disappoint this Soviet ambition.

As SALT is to the US relationship, so the Sino-Soviet border negotiations, which began a month before SALT, are crucial to the Sino-Soviet relationship. Unlike SALT, however, the border talks have thus far proved sterile, foundering primarily on the Chinese demand for prior Soviet withdrawal from all disputed territory. Other aspects of the relationship have been similarly discouraging, except possibly for trade, which has increased modestly in the 1970s.

Mao Tse-tung's death gave the Soviets their first faint hope in a decade for some break in this impasse. It had long been an article of faith among Moscow's China-watchers—and a correct one—that there was no hope of improvement while Chairman Mao was alive. They still have no confidence that the post-Mao leaders will soon change their stance, but hope that in time China's view of its own best interests will shift. Meanwhile, the Soviets have felt that the change in administrations in Washington made the moment propitious to try for a breakthrough with Peking. The

new US administration will require time to develop its policies, Moscow reasons, and thus should provide the USSR with an interval to work to improve relations with China without US interference.

The Soviets have accordingly taken several steps to signal their desire for a fresh start. They have ceased anti-Chinese polemics, sent the first party-to-party messages to Peking in a decade and hurried their border negotiating team back to Peking to start another round of border talks. Although they have openly taken comfort from the purge of the radicals in Peking whom they viewed as Mao's spiritual heirs, they have not yet received a positive response to their gestures from the new Chinese leaders, who claim, instead, that these are empty gestures designed to worry the US.

Moscow is nevertheless likely to continue for some time its efforts to establish a new and productive dialogue, despite the initial rebuffs. The alternative is resigned acceptance of its vulnerable position in the Sino-Soviet-US triangle. The Soviets will continue to hope that ongoing turmoil in the Chinese leadership may eventually bring to the fore figures more inclined to compromise. They will meanwhile seek token or cosmetic actions from Peking which they can hold out to the West as proof that Sino-Soviet relations are improving. One such minimal Chinese gesture would be a return to Moscow of the Chinese ambassador, who has been absent since March 1976.

The Continuing Chinese Challenge to Soviet Interests

As in the case of their dual relationship with the US, however, the Soviets must also simultaneously continue to wage a fierce, competitive struggle with Peking, seeking to limit and undermine Chinese areas of influence while preventing the Chinese from damaging theirs. This was most recently demonstrated in the wake of Brezhnev's visits to Bucharest and Belgrade last November. It is indicative of the Chinese attitude—and of the Soviet problem—that in each capital, shortly after Brezhnev departed, the former Chinese foreign minister Chi Peng-fei arrived. In Bucharest, he commended Romania's "revolutionary spirit of defying brute force," and in Belgrade he lauded traditional Yugoslav vigilance against "hegemonism." At the same time, a visiting Romanian delegation to China was being lauded in Peking's press and shepherded about by Yu Chan—the chief Chinese delegate to the Sino-Soviet border talks—who, if any progress was being made in the talks,

should have been in Peking negotiating with the Soviets.

This Chinese behavior is no doubt resented by Moscow, which recognizes it as the harassment the Chinese intend it to be. On a larger scale, it is a reminder of Peking's constant encouragement of insubordination within Moscow's East European empire. By providing an alternative in the Communist world for independent-minded East European forces, China presents a disruptive influence quite different from the ever-present economic and ideological attractions of the US and the West that are also a constant concern to Moscow.

The Internal Dimension

In sum, with new sets of leaders in both Washington and Peking at the beginning of 1977, the Soviet leaders are likely to continue familiar policies with greater urgency. They will push particularly hard for action on SALT and economic relations with the US, and try to get as quick a reading as possible of the new administration's intentions in these areas. Toward China they will show restraint while continuing to seek some progress on that side of the triangle. If no improvement is made, they will simply settle back and wait their next chance.

All of this, of course, assumes a continuation of the present leadership in Moscow, which is by no means assured. It is true that Brezhnev's commanding position in the leadership today seems secure. His health appears better than it was a year ago, and he gives no indication that he intends to relinquish his position any time soon. Yet Brezhnev and the other senior members of the Politburo have now all reached an age which greatly increases the chances of rapid attrition. Brezhnev celebrated his 70th birthday in December. Kirilenko, Brezhnev's political deputy, also turned 70 earlier in 1976. Premier Kosygin is 72, and party theoretician Suslov is 74. All except Kirilenko are in varying states of poor health. The issue is thus not merely the matter of Brezhnev's succession, but the necessity of rejuvenating the entire top ranks of the leadership.

The succession is certain to complicate the conduct of Soviet policy, at least temporarily, but it seems unlikely that the basic directions of Soviet foreign policy will soon be seriously affected. Detente has evolved as a consensus policy, a blend of diverse institutional and personal interests. The troublemakers in the Politburo—men such as Shelepin and Shelest—

who were tempted for personal political ends to challenge the broad consensus frontally have been weeded out. Those who have remained have learned to work together fairly smoothly, to resolve their differences, and to compromise when necessary.

While Brezhnev has become the most vigorous proponent of detente and is now credited with initiating it, authoritative party literature carefully stresses that Brezhnev's formulation of foreign policy is rooted in the collective wisdom and that all shades of opinion are taken into account. Furthermore, the burgeoning "cult" of Brezhnev serves not only to enshrine the legitimacy of his personal leadership, but his policies as well. It would, therefore, be awkward for a new leadership to seek to change course radically or quickly.

Nevertheless, the concept of detente as propounded by the Soviet leadership is sufficiently elastic and ambiguous to encompass differing viewpoints and to allow considerable shifts in emphasis with changing circumstances. A new leadership in Moscow could bring a new focus to the concept of detente.

This is particularly possible in regard to those competitive areas of the relationship with the US where the Soviets have done poorly, such as the Middle East, and which have therefore become a political embarrassment. A frequent response made to Soviet public lecturers in Moscow and Leningrad has been the observation that, in effect, detente is fine, but why did the Soviet Union let the imperialists take back the Middle East? The best evidence we have had of an open challenge to Brezhnev over a foreign policy issue has been on Middle East policy, in the aftermath of the 1967 war—apparently at the instigation of then Politburo member Shelepin. Hints of differences between Brezhnev and certain other leaders—particularly Podgorny and the late Marshal Grechko—have continued to surface from time to time, usually over the extent of cooperation with the US in the Middle East and the number of risks in competing with the US. A shift in the Politburo balance created by the succession process could therefore conceivably bring at least a marginal change in the Soviet competitive response to a crisis situation, particularly in the Middle East.

The extent that foreign policy will in fact be affected by the changing of the old guard will be determined largely by the rate and order of the members' departure from the political scene. It is this

which will probably determine both the smoothness of the transition and the shape of the future leadership.

The departure of the senior members of the Politburo in rapid succession would seriously shake the decisionmaking mechanism. The chances for a bitter power struggle would vastly increase, and with it, the likelihood that policy issues would become involved. On the other hand, if changes at the top are spread out, the chances of a more orderly transfer of power would be improved.

If, for instance, Suslov is the first to die or be forced by disability to leave, Brezhnev would have perhaps his best opportunity yet to restructure the leadership to his own liking and to push his own policies more vigorously. Suslov has long been the guardian of the concept of collectivity. While overtly in favor of detente, he has for many years been an ideologically motivated spokesman for caution in pursuing compromises with the US. The influence he has come to wield would not be readily transferrable to a like-thinking newcomer.

Brezhnev clearly hopes to continue in his party post long enough to ensure some control over the succession process and guarantee an honorable place for himself in the history books. His health seems to be the key to whether he will succeed.

The Soviet system has yet to provide a transfer of power without intense political struggle and purges, and Brezhnev's sudden demise would severely test the maturity of leadership and the greater regularization of political life that has developed. Kirilenko appears most likely to succeed Brezhnev, at least temporarily. A tacit understanding among his senior colleagues on this may possibly have been reached during one of Brezhnev's illnesses in the last few years. Such an understanding may not endure, however, if Brezhnev's departure is long delayed.

Even if the mechanics of such a transition were accomplished smoothly, the change would probably usher in an era of greater instability at the top. The discipline that Brezhnev's preeminence has imposed on political life would be weakened. There is the possibility that infighting would be carried into the foreign policy area, and that there might be a reversion to the situation prevailing in the middle and late 1960's—before Brezhnev consolidated his position. Policy disagreements were then more openly aired in public, and some political leaders used their institutional power bases—the KGB in the case of

Shelepin—to attempt to discredit the policies of their rivals. The result was a greater difficulty in perceiving Soviet intentions.

Moreover, there is the added difficulty that the duties of the general secretary are not clearly defined and responsibility for foreign policy is not automatically inherited with party leadership. Khrushchev knew little about foreign policy when he assumed this position. It took him 5 years to gain recognition at home and abroad as a world statesman, and he succeeded in solidifying this status only by assuming the premiership along with his party post.

Brezhnev was prevented from doing this by agreement among the leaders, following Khrushchev's ouster that precluded the two top executive posts from again being combined in one man. For a number of

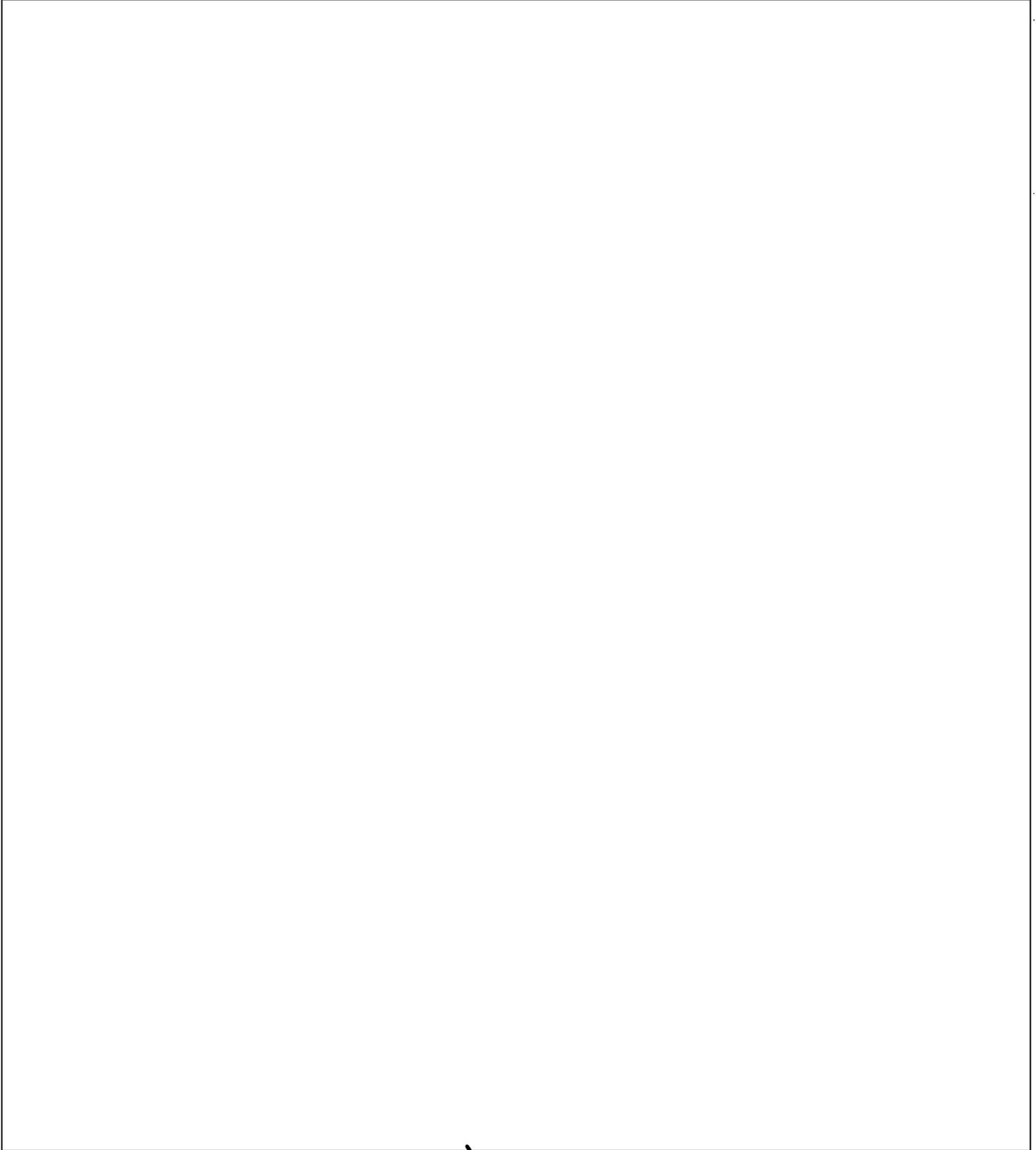
years, Premier Kosygin was the principal spokesman for foreign policy. Brezhnev gradually wrested this authority from Kosygin by espousing the detente policies he himself had once questioned, and arguing for the primacy of the party in all policy areas. A recent article by a senior party worker justifying Brezhnev's leading role in foreign policy makes it clear, however, that the controversy on this question is not over.

Kirilenko, if he does succeed Brezhnev, may have an easier time picking up the reins than his predecessors did. But he, too, will have to establish his supremacy in the conduct of foreign affairs. Thus, in addition to the other inevitable problems that a new leadership will face, there will be the added confusion caused by uncertainty as to where top authority for foreign policy resides.

BLANK PAGE

~~SECRET~~

WESTERN EUROPE



17
~~SECRET~~

~~SECRET~~

18
~~SECRET~~

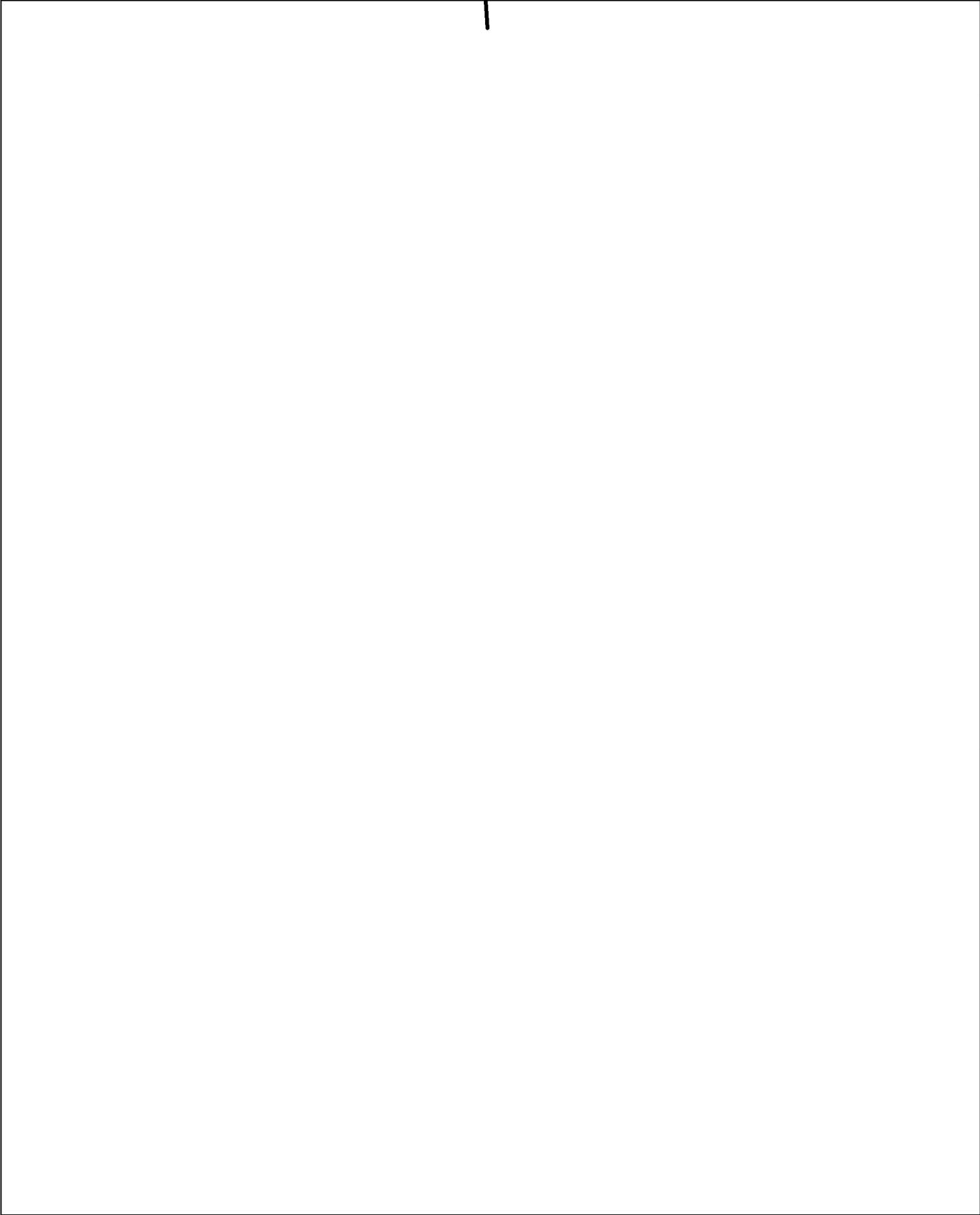
~~SECRET~~

~~SECRET~~

~~SECRET~~

~~20~~
~~SECRET~~

~~SECRET~~



21
~~SECRET~~



EASTERN EUROPE



The events of the past year or so—in particular the instability in Poland last summer and the growing prospect of leadership change in Yugoslavia and Albania—have once again underscored the fact that neither 30 years of Soviet hegemony nor the presence of 31 Soviet divisions has altered the underlying realities in Eastern Europe. Nationalism and ethnocentrism and a cultural heritage whose bias drives the East European countries toward the West still thwart Moscow's desire for a buffer of loyal and stable states on its western flank.

The spirit of nationalism helps keep the Poles, the Romanians, and the others from identifying their interests with those of the USSR. It helps a leader like Ceausescu, who runs an exceedingly tight ship at home, retain his own power. It creates formidable problems for leaders in East Germany, who are striving to convince their people that their state is congruent with their sense of national identity. Ethnocentrism is at the heart of the political problem in Yugoslavia. Even in Czechoslovakia, one of the more conservative and stable of the Warsaw Pact states, tensions and rivalry between the Czechs and Slovaks continue to be a problem for the regime.

The allure of the West is as strong as ever in Eastern Europe. The Iron Curtain metaphor has lost much of its meaning, not only because Moscow under Brezhnev has not attempted to impose a Soviet-style internal order on these countries but also because of the requirements of modern technology that have pushed Eastern Europe toward the West. The ideology that is implicit in Western popular culture is ultimately subversive of Leninist precepts and, more to the point, of a political order that puts its emphasis on unquestioning discipline and obedience.

East European governments have dealt with inroads from the West in a variety of ways. In Czechoslovakia, Romania, and East Germany they have tried to impose strict limits, and hence the East Berlin government was compelled to exile the singer Wolf Biermann last year when he stepped over the line into open political commentary. All the East

European regimes have tried to meet the challenge of the West by attempting to strengthen their ideological bases. Some, but not all, of this renewed attention to Marxist ideology has been in response to prodding by the USSR. The problem is that the ideology, never very strong below a committed intellectual elite, has lost much of its vigor even for that group.

The development of Eurocommunism will also be a challenge to the East European regimes. The emergence of leaders like Berlinguer, Carillo, and Marchais will raise questions about the necessary congruence of Communist precepts and authoritarian political order. Leaders like Kadar and Honecker have as much reason to fight the heretical (non-Leninist) ideas of Western Communist leaders as does Brezhnev. But they are working within a different political and cultural environment and their burden will be that much heavier.

Fear of Western ideas and ways betrays an underlying anxiety about political authority that 30 years of rule has not eliminated. In the 1940's and 1950's, the mailed fist was by and large the answer to the question of who was in charge and by what right. But in the last decade, the governments of Eastern Europe have become economic determinists: keep people well fed and well clothed, and they will not make trouble. Political hegemony will follow in due course. The East European leaders, however, soon confronted the same problems as leaders of other political persuasions in other parts of the world. Promises that are made, and not kept, are a prescription for trouble, as the Polish government found out last June, when workers expressed their unhappiness over a highhanded increase in prices in the only way they know how: by riot and sabotage.

The Economic Outlook

Poland is not the only country in Eastern Europe that experienced economic difficulties last year, and the prospect is for more of the same in 1977. The East European countries have been grappling with tighter economic constraints imposed by Western inflation

and recession, higher prices for Soviet oil and raw material imports, and several years of bad harvests. The East European consumer has felt, and will continue to feel, the impact of these problems.

Agricultural difficulties have most directly affected consumers, causing shortages of meat, fruit, and vegetables in almost all of the East European countries, although none so severely as in Poland. Some regimes, trying to keep down Western trade deficits, have trimmed imports of consumer goods, tried to maintain food exports even in the face of domestic shortages, and been reluctant to buy more food than absolutely necessary to cover the most acute problems.

Eastern Europe registered a large trade deficit with the developed West in 1976, although below the record \$6.7 billion recorded in 1975. Despite higher prices for Western imports and a recession-induced drop in Western demand for East European goods, these states have continued to buy large quantities of Western technology and industrial materials. They have also been compelled by their own problems in agriculture to increase purchases of Western agricultural commodities.

Western trade deficits and the deterioration in their terms of trade with the USSR have prompted most of the regimes to increase export goals and to cut back planned rates of improvement in the standard of living for the current Five-Year Plan (1976-80). Actual slowdowns in improvements in the standards of living could easily be greater than planned, as was the case in Hungary in 1976.

The Soviets helped create the tougher economic environment in which the East Europeans must operate. In 1975, Moscow sharply increased the price it charged East Europeans for oil and other raw materials, and prices also went up in 1976 and 1977. For some time, the Soviets have been reluctant to make long-term commitments for key raw materials, especially oil, and have become more insistent about getting quality East European products. They have required the East Europeans to participate in Soviet development projects in return for guaranteed supplies of raw materials. Moscow's attitude derives, in part, from its own economic problems—including a concern about its future supplies of oil and raw materials—and partly from a lingering feeling that the East Europeans have not been doing their share. The fact that several East European countries have a higher standard of living than the USSR may help reinforce the latter view.

Moscow's economic policies have contributed to the East Europeans' increasing trade deficit with the West. To offset higher Soviet prices for raw materials, the East Europeans will be under pressure to divert eastward some quality goods slated for sale in the West.

The economic outlook for the region depends very much on factors outside the East Europeans' control. An economic upturn in the West would certainly stimulate East European exports, helping to reduce trade deficits. But it would also make it more expensive to get further debt financing and new Western credits.

Improved agricultural production would relieve some pressure, and the region, after 2 years of bad weather, may get lucky. Recent reverses have had the salutary effect of drawing more attention and investment to agricultural problems. Some regimes have pushed aside ideological obstacles and adopted a permissive line on private agricultural production. Supplies of all-important meat products will not be replenished quickly, however, because of earlier slaughtering of young animals.

Such improvements may not mean much for the consumer, beyond taking the edge off shortages. With an eye toward the many demands on resources, economic planners will continue to be tempted to cut corners in the consumer sector in order to meet trade commitments or to maintain economic growth. There are still strong economic pressures to raise prices of basic foodstuffs.

The Soviets have taken some steps to soften the blow of higher raw material prices. Soviet oil prices have not risen abruptly to levels in the West. In 1976, nominal Soviet oil prices were about one-third lower than Western prices. According to the pricing formula adopted in 1975, Soviet oil prices are slated to increase sharply next year and move much closer to world levels. But Moscow might have second thoughts about putting the formulas into practice if the East European economies are in serious trouble by next year.

Prices of East European exports were also raised in 1975—although not nearly enough to offset Soviet price increases—and some East European machinery may be getting preferential price treatment. The Soviets apparently have also offered at least several countries long-term loans to cover trade deficits; at times they have been lenient about the terms of East European investment in Soviet raw material projects.

The fact is that Moscow cannot afford to place its economic relations on a purely commercial basis. If the Soviets press too hard, they run the risk of promoting economic hardships in Eastern Europe that can easily degenerate into political instability. This is the last thing Moscow wants. And that is why Moscow felt compelled last fall to give Poland a large loan and additional quantities of oil and grain to help Gierk out of his economic and political bind. Moreover, the Soviets can also rationalize that, up to a point, the economic dependence of Eastern Europe does give them some political leverage they would not otherwise enjoy. The problem for Moscow is to establish the proper balance between economic and political equities.

The Soviets

Soviet interests in Eastern Europe are unchanged: the region is at once a buffer against the West and an advanced post of Soviet might and influence in Europe. The East Europeans, with certain notable exceptions are helpful in promoting Soviet foreign policy interests.

The Soviets would like an Eastern Europe that was as one with the USSR, a series of nominally independent states that ordered their internal and external affairs in ways that were pleasing to Moscow. But Moscow has few if any illusions, and it knows, from bitter experience, that there is a contradiction between subservience to Moscow and internal political stability. While Czechoslovakia in 1968 proved that Moscow could be pushed too far, by and large the Soviet leadership under Brezhnev has opted for stability in Eastern Europe at the expense of ideological purity. In the case of Romania the Soviets have suffered a divisive and mischiefmaking voice in the Warsaw Pact and on the international scene, secure in the knowledge that Ceausescu brooks no interference at home.

By the standards of the 1950's and early 1960's, Moscow has shown considerable forbearance and flexibility. Because it felt a need to perpetuate the idea that it leads the international Communist movement, Moscow orchestrated a meeting of European parties last year that, in effect, concluded that there is no leader of a European or a world Communist movement. Moscow, of course, later tried to set the record straight unilaterally, but the point is that the Soviets did not insist on ramming their views down the throats of Ceausescu or Tito (or Berlinguer or Carillo). The Soviets have attempted to guard

against encroachments from the West by involving their Warsaw Pact allies in new coordinating mechanisms; the summit-level political consultative meeting of the Warsaw Pact that convened in Bucharest last November is the most noteworthy example. For starters, the Soviets clearly hope to get a better fix on the relationships that their East European allies have with the West. We know from clandestine reports, for example, that they have been particularly concerned about East Berlin in this regard. They also feel a need to remind the East European leaders—and the party functionaries below the top—of their obligations to the USSR and, most important, to get a better grip on what exactly is happening internally in the countries. For Moscow this is an unending process, but as Brezhnev once said in another context, the Soviets have an unlimited supply of patience.

What is missing from Moscow's attention to these problems is any sense of alarm or new direction. In his report to the 25th Party Congress last year, Brezhnev said hardly a day went by that the Politburo did not concern itself with Eastern Europe; but then he went on to all but ignore it. The events in Poland a few months later must have put Eastern Europe back on the front burner. Moscow's reiteration of its support for Gierk after his display of weakness and its promises of economic assistance give evidence of continuity in the Kremlin's approach. Even while Moscow has taken advantage of economic problems to strengthen its grip—the most notable case is that of Ceausescu, who has been on his best behavior vis-a-vis Moscow for the last 6 months—the USSR is not moving in any vigorous way to circumscribe its allies' economic ties with the West. Moscow knows that these countries, and hence the USSR, need the West if they are to keep their economies and their internal situations in some kind of order.

Poland

The coming year will be as difficult for the Polish leadership as was 1976. The heady, optimistic public mood that characterized the early years of this decade has given way to angry questioning by the Polish people of why their expectations of a better life have been disappointed. The primary goal of party leader Gierk in 1977 will be to keep the lid on.

He can do little else for there are no short-term solutions to the problems that sparked the June riots. Supplies of consumer goods will continue to fall short of demand. Reserves have been juggled and extra quantities of consumer goods have been imported to

take the edge off frustrations. The regime was able to put enough goods—especially meat—in the stores at Christmas to ease the grumbling. The supply situation for the rest of the winter and the pre-Easter season remains uncertain. Polish officials have admitted that it will take at least 2 years to bring the economy out of the doldrums and have told the public that meat supplies—the most sensitive issue—will at best equal last year's level.

The leadership has hesitantly taken measures to encourage private farmers and craftsmen to expand their activities. More investment funds will be diverted to the production of consumer goods. These policies, even if conscientiously implemented, will not bear fruit for several years.

The Polish leadership must struggle this year to find the motivational and organizational means to overcome the economic malaise. Much of the dramatic economic progress since 1970 has been due to extensive imports of Western technology, a practice that cannot continue because of Poland's critical balance-of-payment problem. Hence, the emphasis will be on finding ways to use the resources already on hand more efficiently. This makes economic sense, but the present mood of the people and the conservative nature of the Polish party and government bureaucracy make it highly unlikely that there will be much progress this year in getting the Polish worker to work harder. The economy's growth will not match that of the past several years.

So far there has been little political fallout from the June disturbances and the continuing economic woes. Gierk appears to be in control. Several of his reputed critics were demoted in December, and he has indicated that despite the setbacks, his overall conception for the Polish economy, including rapid development, remains in force. Moreover, Gierk has signaled that he does not contemplate a return to a harsher political line domestically. Indeed, the regime's reaction to the summer disturbances has been remarkably restrained. A number of workers arrested for sabotage during the June disturbances have been released, and the regime has not moved forcefully to put an end to the public criticism by a group of intellectuals calling themselves the Workers' Defense League. Gierk's position has been strengthened by the Soviets, who last fall went out of their way to make clear that the problems of Poland notwithstanding, Gierk is still in Moscow's good graces. How long he will remain so depends on what happens in Poland this year. It also depends on who, if anybody,

the Soviets can find better able to walk the tightrope between what Moscow wants and what the Polish people can live with.

The Yugoslav Problem: When Tito Goes

Tito will soon be 85. He seems to be in reasonably good health, but he may well pass from the scene with little or no warning. Last year, we received a clandestine report that his mental faculties may be slipping. Preparations for the succession are increasing. Emphasis has been put on tightening internal security against any challenges to the new leadership or attempts by outsiders—be they pro-Western or pro-Soviet—to exacerbate internal problems. The Yugoslav Army has come to the fore in this effort. Military men have been moving into top jobs throughout the internal security apparatus, and the army has been given new authority in internal security affairs. An army-led "vigilance campaign" goes hand in hand with a modernization of its forces and a renewed emphasis on the capability of Yugoslav civilians to help defend the country from attack.

A nine-member presidency has long been established to provide continuity in state affairs after Tito's death or incapacitation. But little has been done to clarify who will take over the real power center, the Communist Party.

Stane Dolanc, a 51-year-old Slovene who heads the powerful party executive committee, now appears to be the front-runner. Dolanc is younger than most top Yugoslav leaders, and if he wins out, it will take him some time to consolidate his power. Those who oppose Dolanc's ambitions will try to prevent him from assuming all the power that Tito enjoys, even if they cannot keep him from the top position.

The regime is planning important organizational and personnel changes this year which promise to test the powers of Dolanc and the others. According to one scenario we have received from a Yugoslav source, Tito is intent on creating a small collective at the top of the party. There will be strong competition for appointment to this new body and in the large personnel "rotation" that is also in the works.

Relations with Moscow

The prospect of a leadership change in Yugoslavia was very much on Brezhnev's mind when he visited Yugoslavia last November. The Soviets do not like Dolanc, and according to some accounts, they made that plain during the visit. Soviet hostility evidently

stems from the fact that Dolanc plays on deep-seated Yugoslav fears of Soviet intentions in order to create a reputation as a leader who talks tough to the Kremlin. As far as we know, Moscow is not backing any single alternative candidate. Nevertheless, there are several men in the forces opposed to Dolanc—including Party Secretary Jure Bilic and Foreign Minister Minic—who would appear to be to the Kremlin's liking.

Brezhnev has enjoyed a warm relationship with Tito, and it looks as if the Soviet leader tried to trade on that relationship while he could. We have clandestine evidence he pushed hard for increased access to Yugoslav ports by Soviet naval ships and for blanket overflight rights. He also suggested that Tito permit the formation of a Yugoslav-Soviet friendship society and send Yugoslav delegates to ideological conferences in the East. Most of our information indicates Tito turned Brezhnev down on all counts. Brezhnev in turn evidently failed to promise increased supplies of the coal, oil, and natural gas necessary to the Yugoslav economy over the next few years. Yugoslav dependence on Soviet energy, trade, and credits, however, probably will remain limited.

Few believe that the Soviets will try to bring Yugoslavia back into the fold by force of arms after Tito dies. But the Soviets will work hard, short of open intervention, to bring leaders to power in Yugoslavia sympathetic to the USSR and its needs and desires. One danger is that internal instability in Yugoslavia and the revival of the ethnic-based rivalries of the past will give Moscow more to work with, and possibly a pretext for overt intervention. Another danger is that over time, Moscow might perceive Yugoslavia to be slipping Westward in its orientation, and feel compelled to move forcefully to right the balance. Both tendencies will be reinforced by economic strains. These could lead to a slowdown in growth, aggravating internal rivalries. They could also lead to a hard currency debt that would mortgage future exports to Western and Arab OPEC markets.

East Germany

The coming year is shaping up as a difficult one for the East Germans. The economy, the most efficient and productive in Eastern Europe, has troubles not unlike those elsewhere in the region. Under normal circumstances, a slower economic pace could be accommodated with relatively little political fallout. Clearly the economic problems are not as severe as those in Poland, nor are the East German people as

quick as the Poles to express their economic disappointments. But the East German leaders are feeling pressures from other quarters, and it is to those pressures that they have been responding and will respond in the coming months.

The Honecker regime is convinced that the West Germans are renegeing on the political bargain that was struck in the early 1970's when *Ostpolitik* became the political catchword for the accommodation between the two Germanies. The East Germans charge that Bonn is still trying to promote ties with West Berlin, that some of its politicians are still paying at least lip service to the distant goal of a reunited Germany, and that it is trying to appeal to the East Germans over the head of their government. The Helsinki Final Act has been a complication, making it more difficult to contain dissidents and quarantine the East German people. In the old days, an outspoken critic such as Wolf Biermann, were he to exist at all, would have been dealt with quietly and efficiently, and few in the West, or in East Germany itself, would have been the wiser.

Last year, the Honecker government suppressed its misgivings about what it regarded as a tougher line in Bonn. No doubt at Soviet urging, the East German regime not only kept relations with West Germany on an even keel but increased the emigration rate to help Schmidt beat Kohl, whom the East Germans regarded as less acceptable than the Chancellor. But with Schmidt safely elected, the East Germans now feel free to get tougher at home, to make it more difficult for the West Germans to make contact with and appeal to the East German people, and to strengthen the idea of the East German state by incorporating East Berlin more closely into the German Democratic Republic.

A certain amount of tension between the two Germanies has already arisen as a result of East Berlin's actions. Relations are likely to get more acrimonious as the year proceeds, particularly as the Belgrade meeting of the European Security Conference approaches and attention to humanitarian issues increases. But neither side wants a return to the atmosphere of the postwar period, and the Soviets in particular, are likely to rein in Honecker if he seems to be threatening Moscow's detente policy.

The United States

The basic factors that determine the nature of the political relationship between the US and the East

European countries are unlikely to change substantially over the next year. The proximity of the USSR and its great influence on the policies of all East European states except Yugoslavia, Romania, and Albania; the existence of Communist governments in each of these states; and the repression of political alternatives continue to be the major elements affecting and constraining the region's relations with the US.

The East European regimes with the exception of Albania will try to improve bilateral relations with Washington. They will seek specific objectives in their dealings with the US such as MFN agreements. In the case of Yugoslavia and Romania, they will try to balance their relations with Moscow with closer ties with Washington.

The political relationships between individual East European states and the US and their particular problems can be briefly characterized as follows.

- Yugoslav political relations with the US have been troubled particularly by third world confrontations with the developed countries and by deep-seated suspicions that Yugoslav emigre activities in the US amount to a conspiracy of "pressures" against Yugoslavia. These factors—combined with the Tito regime's desire to quash pro-Western sentiments—help make the Yugoslav media at times more anti-US than those of the Warsaw Pact countries. There have, however, recently been signs that Belgrade may try to set a more positive tone with the new US administration.

- The Hoxha regime in Albania is going through a troubled reassessment of its declining relationship with China, but it has shown no signs that it is moderating its hostile stand against either the US or the USSR. As Tirana sorts out its foreign policy options, it appears to be relying on its traditional isolationist position rather than opening up to the outside world.

- The Romanians cultivate a "special political relationship" with Washington because this sets it apart from Moscow's other allies. Despite heavy Soviet pressure, the Romanians have been willing at times to break ranks and cooperate closely with the US on international issues. Ceausescu has indicated he wishes to broaden this relationship, despite Romania's recent attempts to play up to the Soviets.

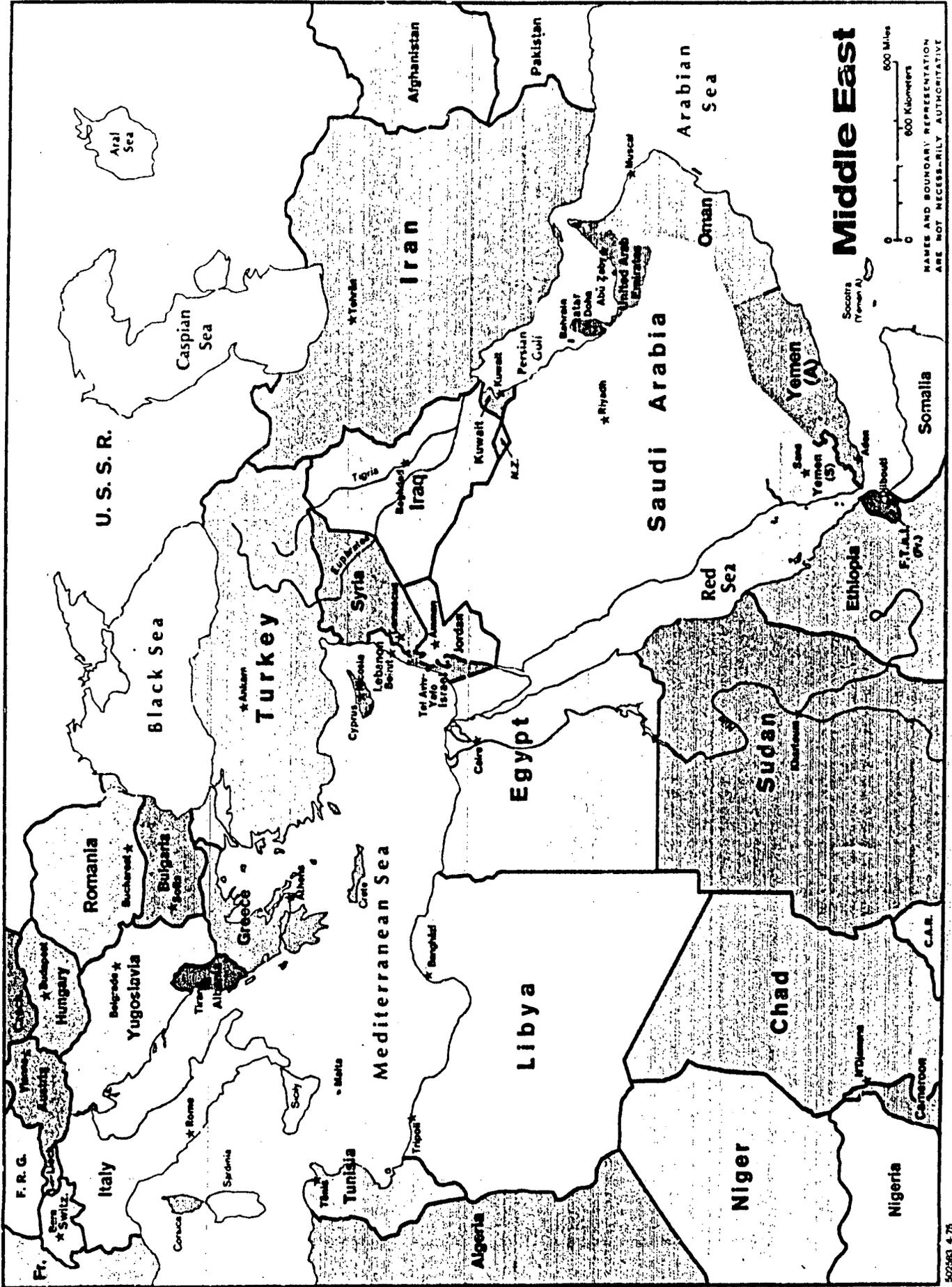
- Sofia has been unwilling to stray from Moscow's foreign policy line in its relations with Washington. The Bulgarians have nevertheless indicated that they would like to resolve several outstanding political problems, presumably in hopes of receiving MFN privileges should the Soviet line shift. Although Sofia's emigration policies do not seem to pose much of a problem, the Bulgarians have nevertheless refused to give public assurances of free emigration.

- The Hungarians are eager for MFN trading status and are determined to retrieve the Crown of St. Stephen, which has been in US hands since World War II. Relations have improved steadily since 1971, when Cardinal Mindszenty left his asylum in the US Embassy in Budapest.

- Czechoslovakia is bitter over the collapse of a bilateral claims agreements in 1974 and the continued US retention of gold confiscated during World War II. While Prague also desires MFN status, it must realize that already poor relations will not be helped by its recent harsh treatment of dissenters.

On the economic side, East European trade with the US is small, but growing in a limited way. Should the US grant MFN status to all of the East European countries, trade would probably increase. The prospects for growth are limited, however, by the inability of most East European countries to produce and market large quantities of goods that are attractive to the US market. Largely because of these export limitations, Poland, which along with Yugoslavia and Romania has MFN status, conducts only 4 percent of its foreign trade (or about 10 percent of its trade with non-Soviet bloc countries outside the USSR and Eastern Europe) with the US.

The East European countries would welcome the greater flexibility provided them by a complete normalization of trading relations with the US. The East Europeans have been finding that, as they develop more competitive products, these goods are more susceptible to local, nontariff trade barriers, whether in the US or the EC. Barriers raised by the EC, especially to East European agricultural products, could prompt several of the East European countries to shift some trade away from their long-time commercial partners in Western Europe.

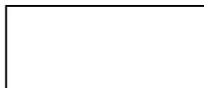


29.

BLANK PAGE

~~SECRET~~

MIDDLE EAST



~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

33
~~SECRET~~

~~SECRET~~

~~34
SECRET~~

The Soviet Role

With the moderate Arab states setting the course of Arab policy, Soviet influence in the area has continued to dwindle. The Egyptians officially abrogated their friendship treaty with the USSR last March and denied Moscow the use of Alexandria's port facilities. Soviet pressure on the Syrians not to take on the Palestinians not only raised hackles in Damascus, but weakened the Soviets' standing with the Palestinians.

The Soviets are worried that they will again be excluded from Middle East peace talks and that the US will score another breakthrough, further diminishing the Soviet position in the area. They are therefore pushing for a reconvened Geneva Conference in which, as cochairman, they would have a strong role. Simultaneously they are increasing their involvement with the regimes opposing a settlement, Iraq and Libya, as a way of demonstrating that they cannot be ignored.

Their ability to influence the direction or result of peace negotiations nevertheless remains marginal. They will not urge concessions on the Arabs for fear of alienating their radical clients; they will steer away from rigid positions that might brand them as obstructionists in the eyes of the moderate majority.

The Soviets probably calculate that even if a Geneva conference does convene the chances for success are slim and that failure would work to Soviet advantage. The Arabs' resentment at the US for failing to induce Israel to meet their demands would provide opportunities, Moscow must hope, to restore the Soviet position in the area.

Africa



Name and boundary presentation
the responsibility of the user.

~~AFRICA~~



Although Africa is marked more by contrasts than by similarities, certain trends are discernible.

- The black struggle against white rule in southern Africa has entered a new and more ominous phase. The ultimate outcome, particularly in South Africa, is not clear, but the basic issue is whether the problem can be resolved in a relatively peaceful and orderly fashion or whether it will have to be settled on the battlefield.

- Great power competition is once again on the rise in Africa.

- North-South issues are assuming more importance in shaping the attitudes and policies of many African states.

- Political and economic change in the region is in the direction of Marxist socialism, albeit with African innovations.

- Hopes for regional cooperation and grouping are foundering because of nationalism and interstate rivalries.

- Tribal divisiveness continues unabated in most black African states.

- One-man, or one-party, rule is becoming the norm, and such rule is increasingly repressive.

- Force is becoming the accepted, and often only, way to gain political power.

- Economic prospects are discouraging throughout Africa, and the economies of most states depend on basically uncontrollable factors such as the vagaries of weather, world prices for primary products, and the whims of inept and erratic leaders.

Such generalizations, however, can be misleading. In many cases it is the differences, complexities, and nuances that provide the telling points in viewing African problems. A few examples make the point.

- Repression in South Africa is far different from and more intractable than repression in Uganda.

- The dynamics of tribal politics in Kenya are far different from those in Rhodesia or Angola.

- Economic prospects of most of the mini-states in west and central Africa are bleak, while in others there is at least some potential for creating development momentum.

- Despite increased attention to North-South issues, bilateral relationships are still viewed as more important.

Southern Africa

Set in motion by the collapse of the Portuguese African colonial empire in April 1974 and fueled by subsequent developments in Mozambique and particularly the war in Angola, the black-white struggle in southern Africa is mounting in intensity. The events of the past year demonstrate that the major world powers are destined to remain major factors in that struggle.

Now that the effort to arrange a negotiated transition to black majority rule in Rhodesia has apparently foundered, there is a good possibility that the issue will be resolved on the battlefield. This could take some time, but, given the support the black guerrillas are likely to receive and the strains likely to be imposed on the whites, the odds strongly favor the insurgents. This, however, would not end the Rhodesian (or Zimbabwean) problem. Besides the near certainty of severe economic setbacks, there is a strong likelihood that the antagonisms among the black nationalists would lead to a struggle for power among them, and this could easily become a full-scale civil war and raise—as does the present situation—the possibility of external intervention.

The situation in Namibia is likely to follow much the same course, although it will probably take more time. South Africa may yet find a way to balance its interests in Namibia with those of the black nationalists, but the record to date is not promising. If such a formula is not found, Namibia will almost certainly become a major arena for armed struggle in southern Africa.

Even in South Africa pressures are increasing. Although the government is not faced with any immediate threat, it has been unable to respond to these pressures except by outright repression, which only adds to internal discontent. In any event, the forces set in motion by the Soweto riots last year are not likely to disappear, and the coming year will probably see increased racial turmoil in South Africa.

Perhaps the basic question concerning the future course of the black-white struggle in southern Africa is whether the transition will be peaceful and evolutionary or whether it will be violent and revolutionary. The final returns are not in, but the trend is toward violence and revolution. Such a trend may find broad support throughout black Africa because many African leaders have long viewed this as the only realistic way to produce change in the white-controlled states in southern Africa.

The impulse drawing the major powers into the situation in southern Africa is strong. Angola was a prime example, and the success of the Soviets and Cubans there has not been lost on the black states in Africa. Rhodesia is now the testing ground, and the resolution of this struggle may provide the paradigm for the future in the region. Having come out the loser vis-a-vis the Communist powers in Angola, the US is now at the center of the attempt to arrange a peaceful transition to black majority rule in Rhodesia. If this effort results in a peaceful resolution of the problem, the US will gain substantial credit, but, if it fails, there will be a tendency by both friend and foe to view the US as an unreliable factor in the African equation.

Ironically, the history of great power involvement in Africa has demonstrated that activism often fails to result in long-term advantage. External powers are invariably viewed with suspicion, and they provide convenient scapegoats for local governments to blame for their problems. At least in African eyes, the USSR (with Cuba) and the US have opted to compete, and it will be difficult for either to disengage without being viewed the loser.

In any event, southern Africa has emerged as a world issue. The outcome will carry weight far beyond the area's geographic confines. In this sense, the struggle in southern Africa is not just to determine that region's destiny; it has also become an important element in the overall relationship between East and West.

The Horn of Africa

Long an area of smoldering tension and turmoil, developments in the Horn of Africa during the past year point toward increasing problems.

- Rivalry between Ethiopia and Somalia over the French Territory of the Afars and Issas (FTAI), which is due to become independent by midyear, will cause increasing tension and will probably lead eventually to open hostilities.

- The Soviet influence and presence in Somalia remain strong, despite some friction between the two countries. Moscow has the inside track in Uganda and is striving, with some success, to enhance its position in Ethiopia.

- The military regime in Ethiopia has taken a leftist tack and has resorted to widespread repression against its internal opponents. No would-be challenger is yet identifiable, but discontent is becoming endemic.

- The insurgencies in Ethiopia, particularly in Eritrea, have grown in size and pose a major challenge to the government. Much of Ethiopia is not under government control, and the odds favor a worsening of the situation in the months ahead.

- In Kenya, the struggle to succeed the aging and infirm Kenyatta has already begun. While this is likely to be contained within the existing system, the possibility of untoward developments is present.

The FTAI question, however, is the most immediate and most ominous problem. Somalia appears determined to achieve its goal of either having a client government in the FTAI or actually assimilating the country into Somalia. Ethiopia is equally determined to oppose such an outcome, viewing access to the sea through the FTAI as critical to Ethiopia's survival.

Thus, the ingredients for war between Somalia and Ethiopia are present. Events may not go this far; the Somalis may adopt a "go-slow" approach toward the

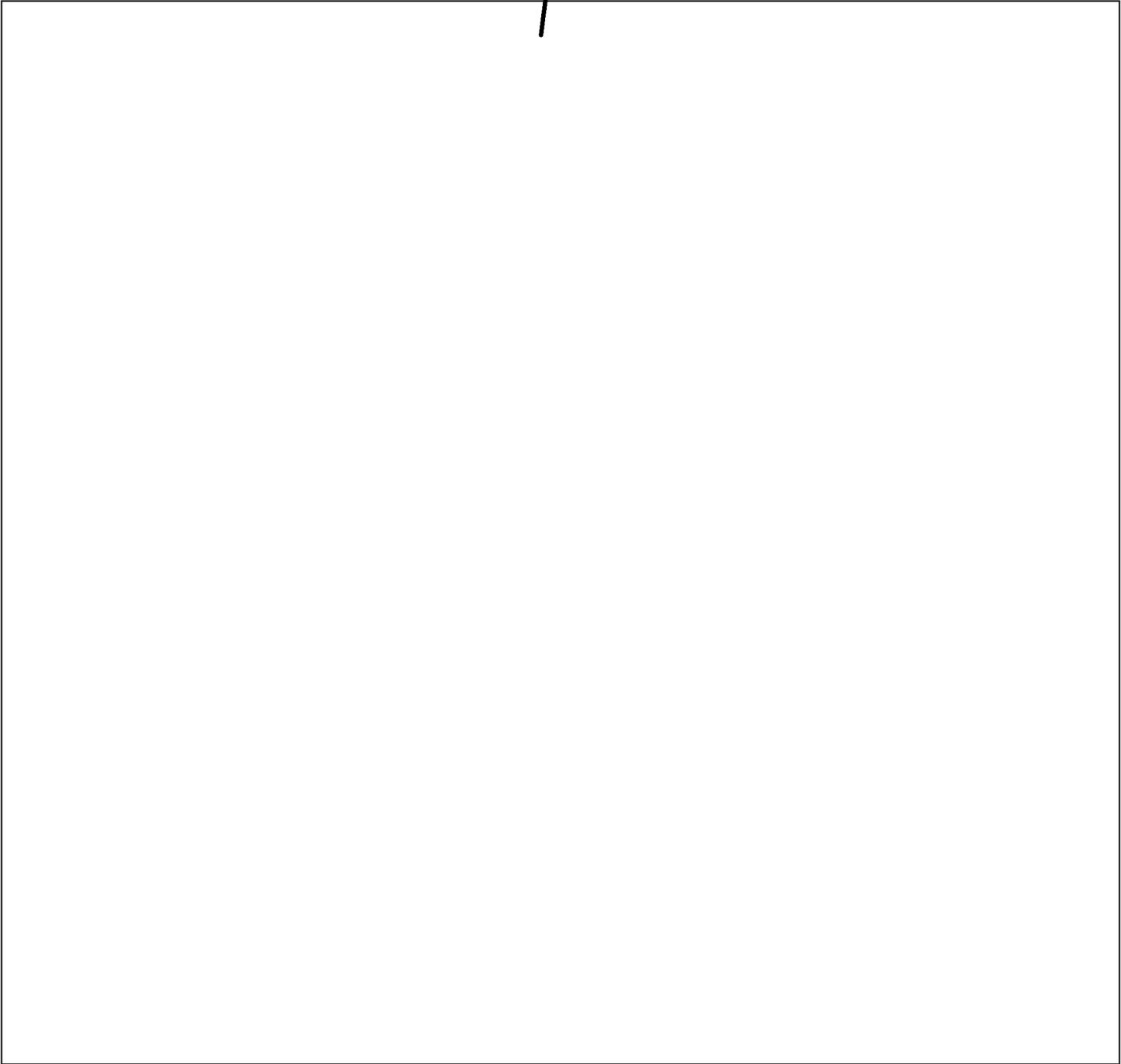
FTAI, and the Ethiopians face serious internal problems that could curb their actions. Tension is mounting, however, and it will not take much to spark a military confrontation. Whatever the specifics, it appears likely that Somalia will ultimately have its way in the FTAI.

If events move to open hostilities, the risks increase that the great powers, even though reluctant, will be drawn into the picture. Neither Somalia nor Ethiopia could sustain conventional hostilities for more than a few weeks. Somalia would look to the USSR for sustenance. This would pose a problem for Moscow, not only in the context of its broader international objectives but also in its ongoing efforts to increase its influence in Ethiopia. Moscow would probably counsel a policy of restraint on Mogadiscio. The Soviets have a major investment in Somalia, however, and it would be exceedingly difficult for them to avoid providing some materiel support if Somalia requested it.

Ethiopia, despite its leftist government and rhetoric, would be likely to look to the West for support, especially to the US. If this were not offered and Ethiopia suffered a humiliating setback, it might well turn to the USSR in the hope of salvaging something out of its adversity. In this case, the Soviets could well find themselves in the position of backing a winner (Somalia) and gaining a loser (Ethiopia).

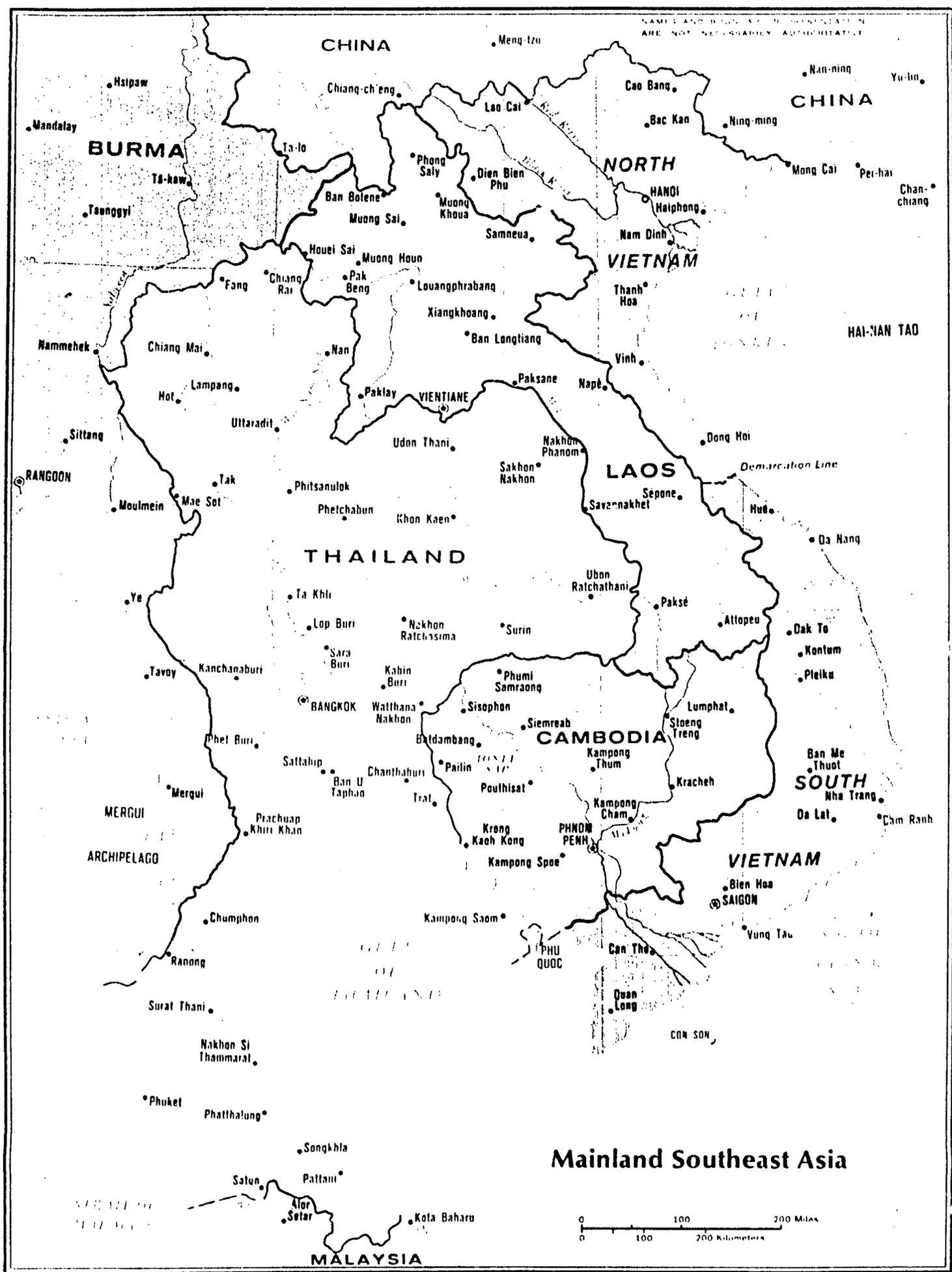
The reverberations of this would be felt throughout Africa and elsewhere. To many it would reinforce the view set in train by developments in Indochina and Angola that the Soviets are a more reliable source of support than the West.

~~SECRET~~

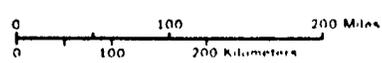


~~SECRET~~

NAME AND LOCATION OF SETTLEMENTS ARE NOT NECESSARILY AUTHENTIC



Mainland Southeast Asia

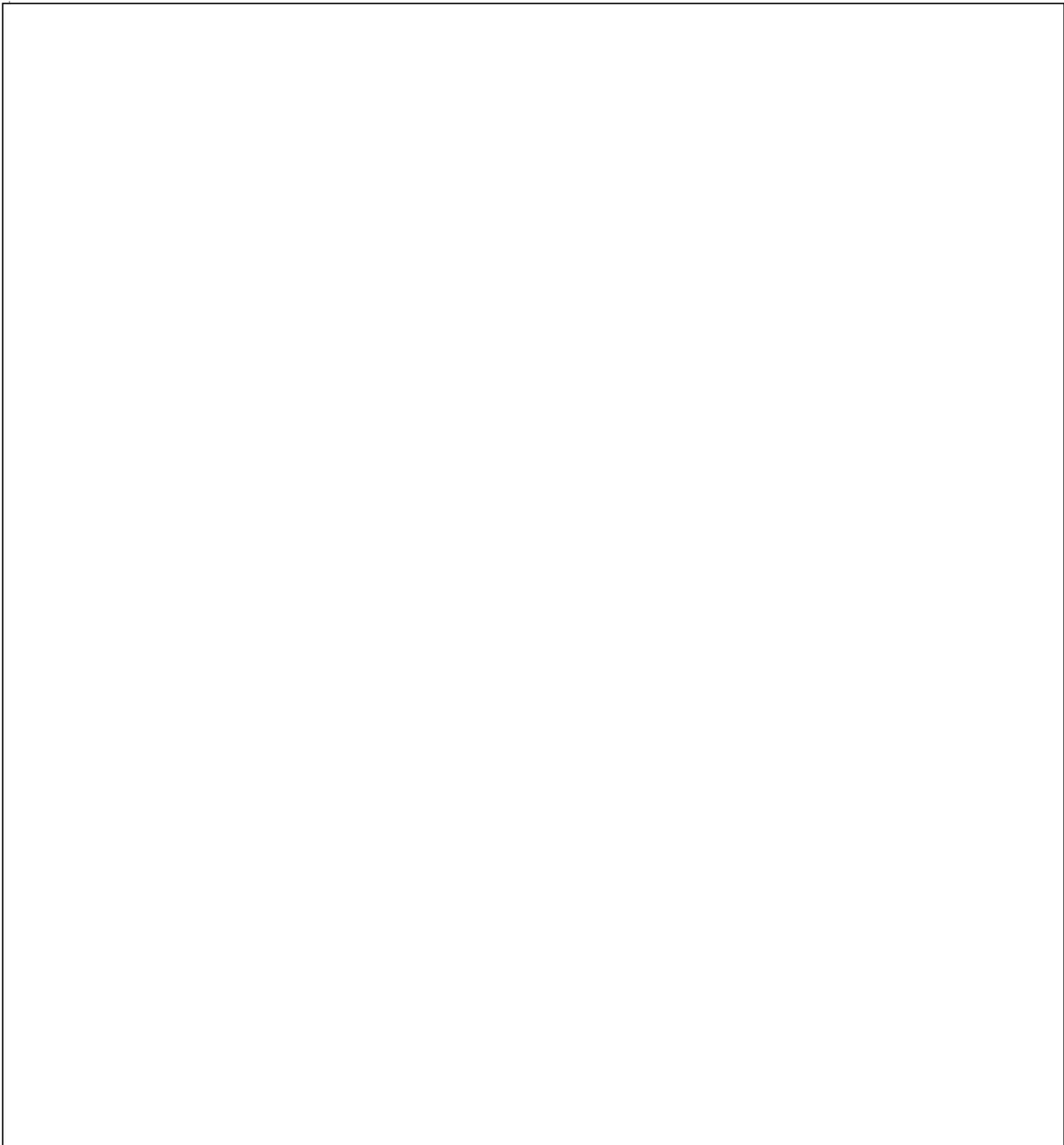


MALAYSIA

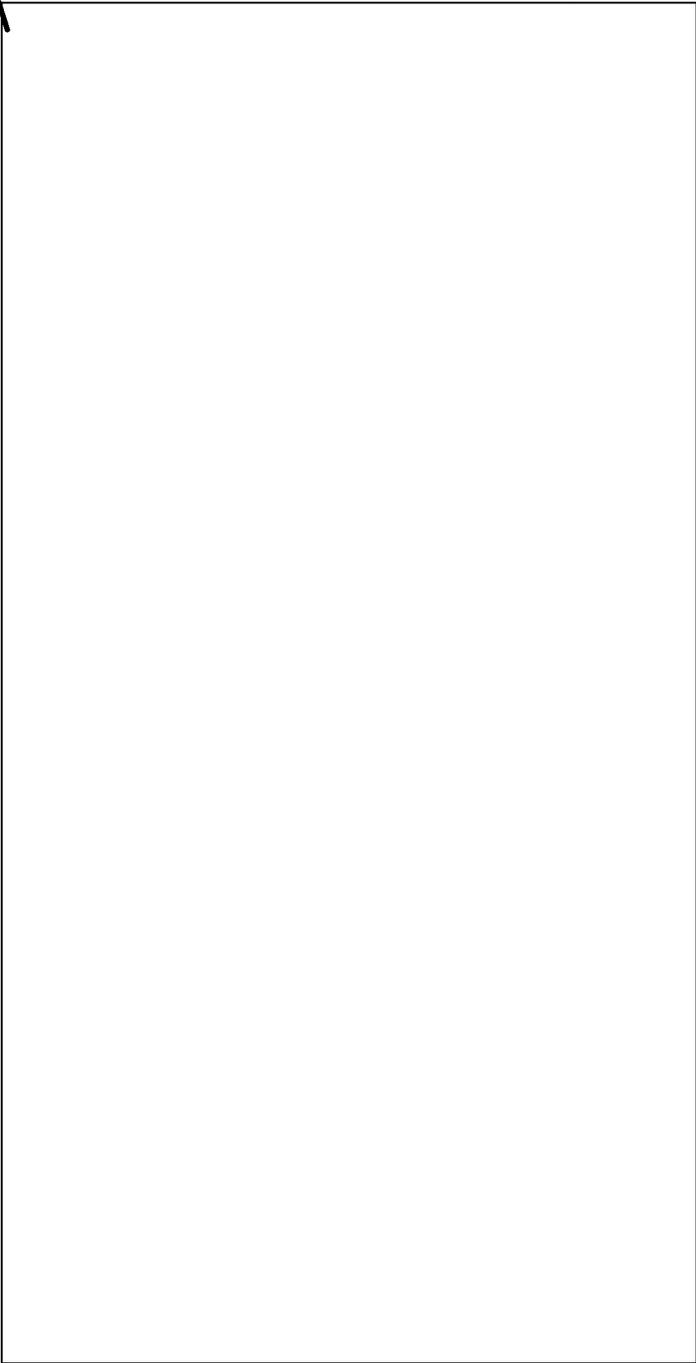
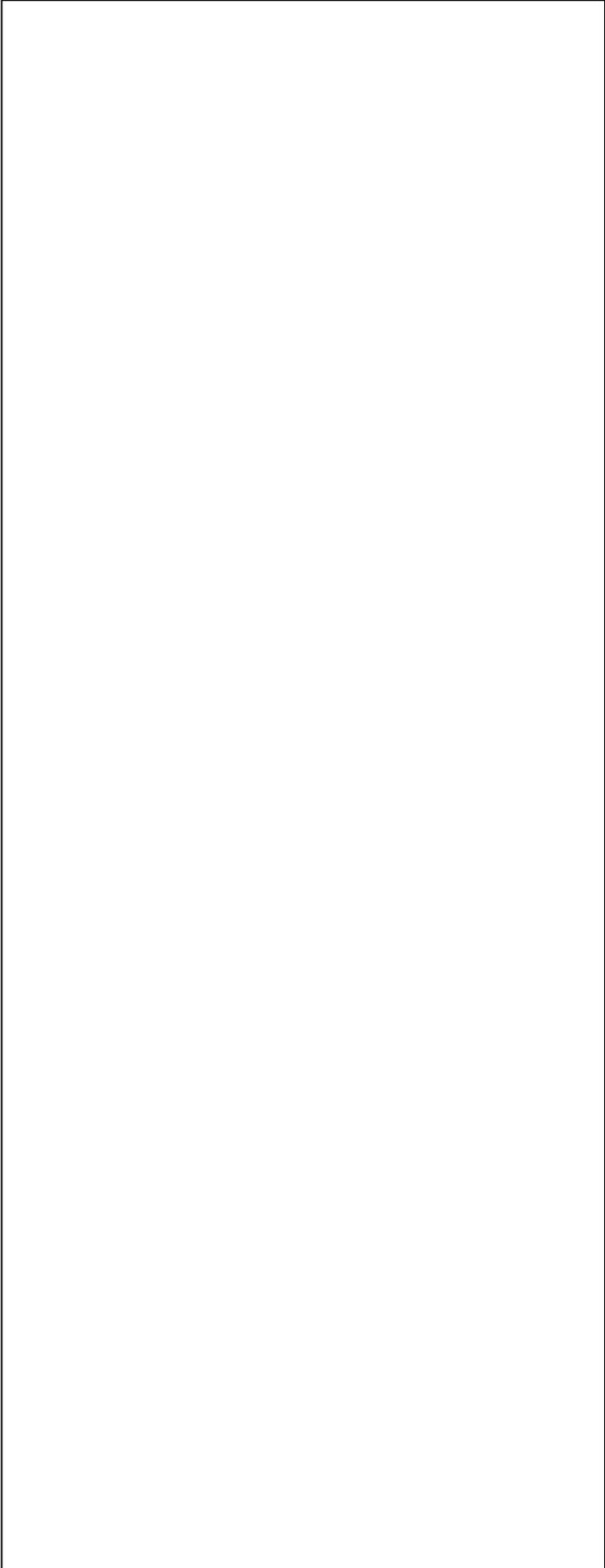
BLANK PAGE

~~SECRET~~

EAST ASIA



48
~~SECRET~~



Foreign Policy

There will be fewer changes in foreign than in domestic policies. Thus far, the new leaders have not modified in any way Mao's intense hostility to the USSR. The threat from the Soviet Union (the "main enemy") has required rationality from the Chinese and less "revolutionary adventurism" than have internal problems. The opening to the US was in fact actively sought by the Chinese as a consequence of their troubles with the Russians, and the effective use of the US as a strategic counterweight is still their most important foreign policy objective.

The Chinese continue to view the Taiwan question as the principal obstacle to improved ties with the US. For a brief period last summer, at a time when radical leftist influence in Peking was still high, the Chinese began to indicate to Washington that Peking considered the use of force the "only" way to reunify Taiwan with China. Peking quickly backed away from this line, however, probably realizing that the effect of such talk in the United States had been counterproductive.

Once again the Chinese, while reserving the right to use force to regain Taiwan, are taking pains to signal Washington of their patience and their desire to work toward a peaceful solution. On the other hand, the Chinese show no sign of softening their long-standing conditions for the normalization of relations with the United States: the US must break diplomatic ties with Taipei, withdraw its forces from the island, and abrogate its security treaty with the Chinese Nationalists.

The Chinese, with good reason, want to maintain the status quo of two Koreas on the Korean peninsula. They have continued publicly to support Kim Il-song on political matters, especially his demand for the withdrawal of US troops. But privately, they probably regard the US presence as a stabilizing factor. The Chinese have not supported Kim to the point of underwriting or even encouraging military adventures against the South—they notably failed to offer Kim strong public support during the Panmunjom crisis last August.

In competing with the Russians and, regionally, with the Vietnamese, the new Chinese leadership probably will stress state-to-state relations while keeping support of Maoist insurgents in Southeast Asia at a low level. The leaders will try to avoid an open split with the Vietnamese, with whom they have sharp differences. Such a rupture would redound entirely to Moscow's benefit. Nevertheless, Sino-Vietnamese competition for influence in Southeast Asia has already become a major diplomatic factor in that region.

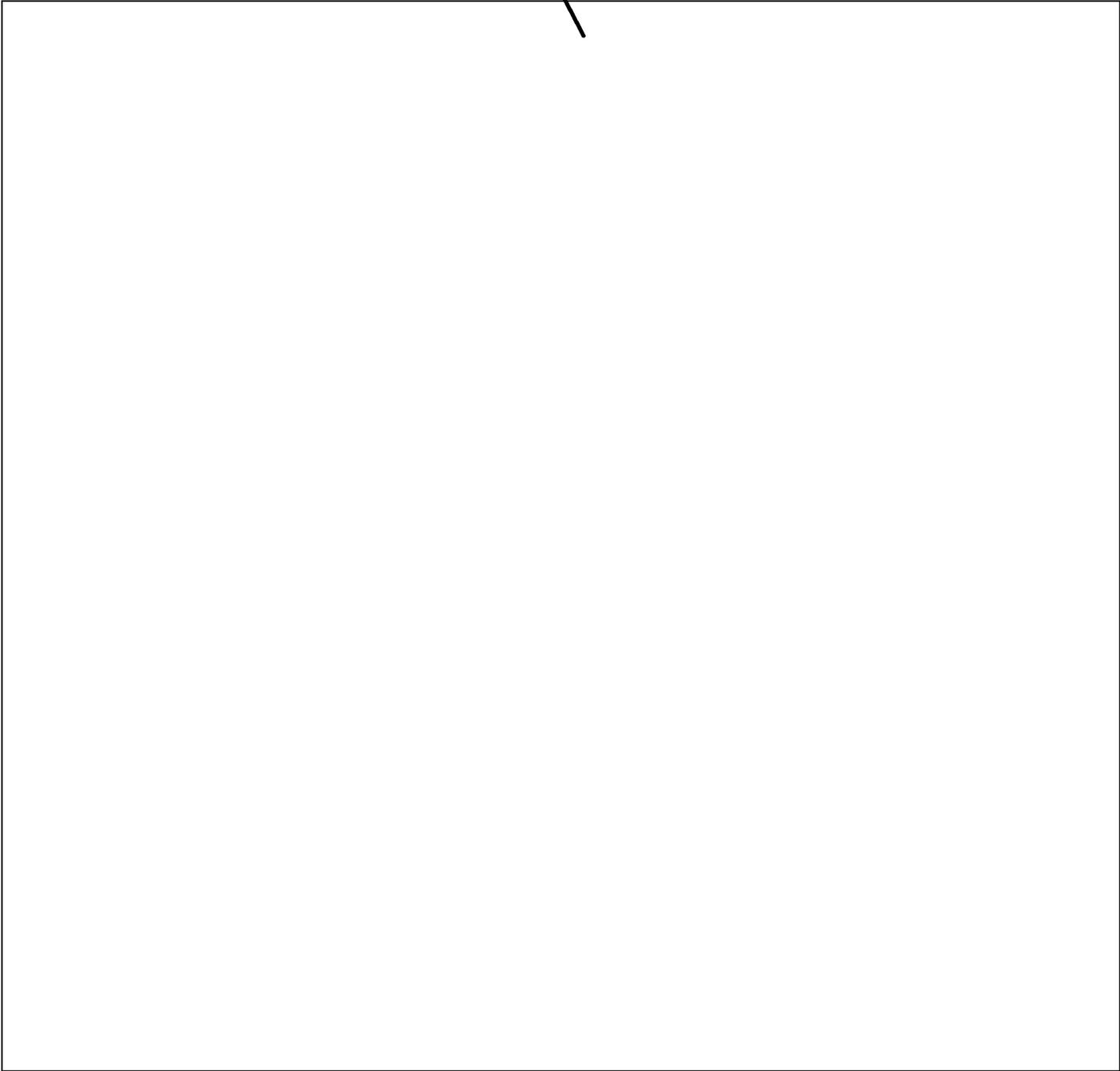
China is concerned that Vietnam intends to project itself as a regional power, challenging Peking's own influence in Southeast Asian capitals and among the region's various Communist movements. The Chinese also view Hanoi as too sympathetic to Moscow's interests and fear that a growing Vietnamese role in Southeast Asia would open the door to equivalent gains in Soviet influence. Peking thus has developed a

strong connection with the independent-minded Communist regime in Cambodia, giving it the support it needs to keep a safe distance from Hanoi. It is also playing on Thai fears of Vietnamese aggression to develop a close state-to-state relationship with Bangkok.

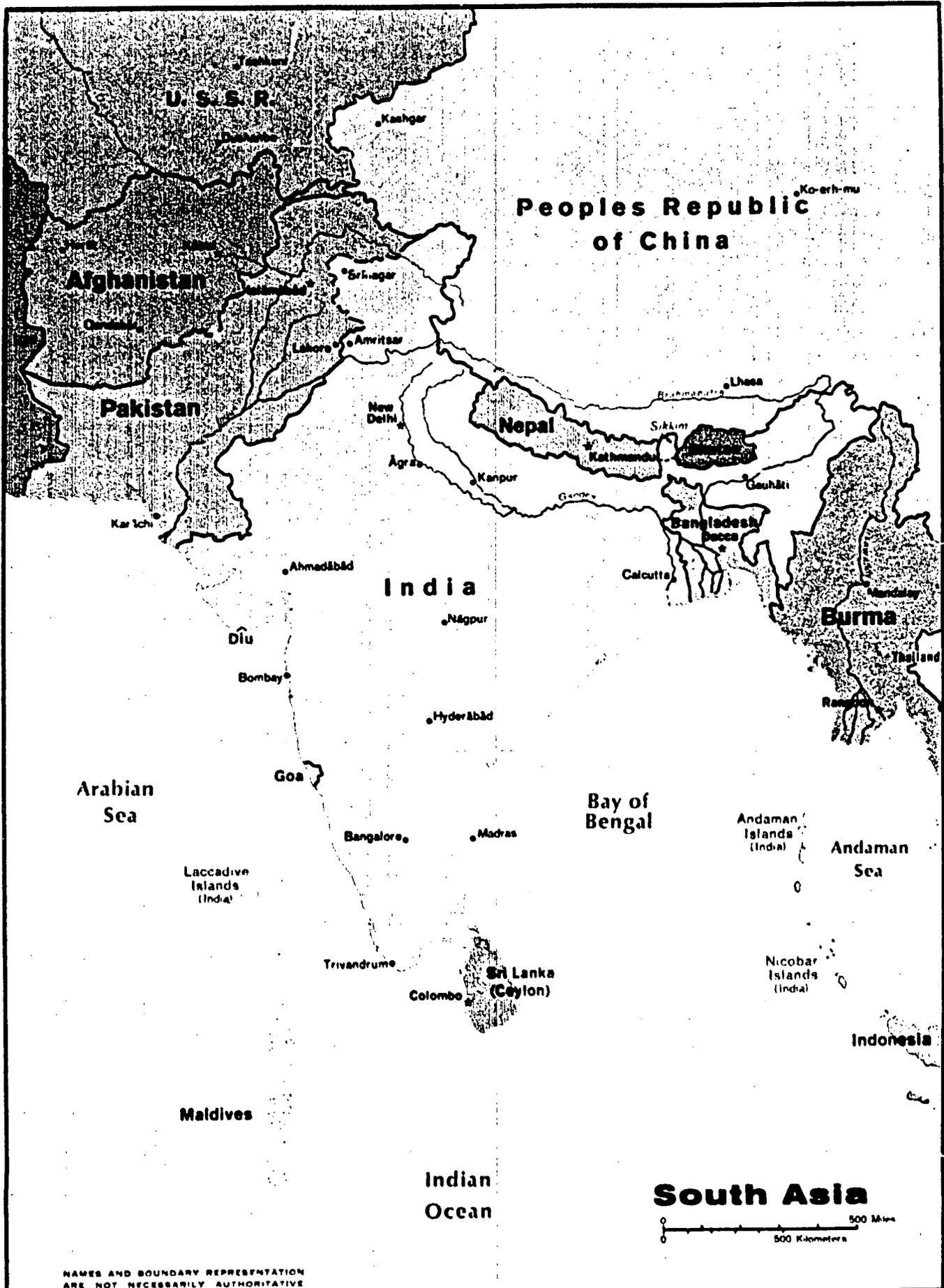
~~SECRET~~

46
~~SECRET~~

~~SECRET~~

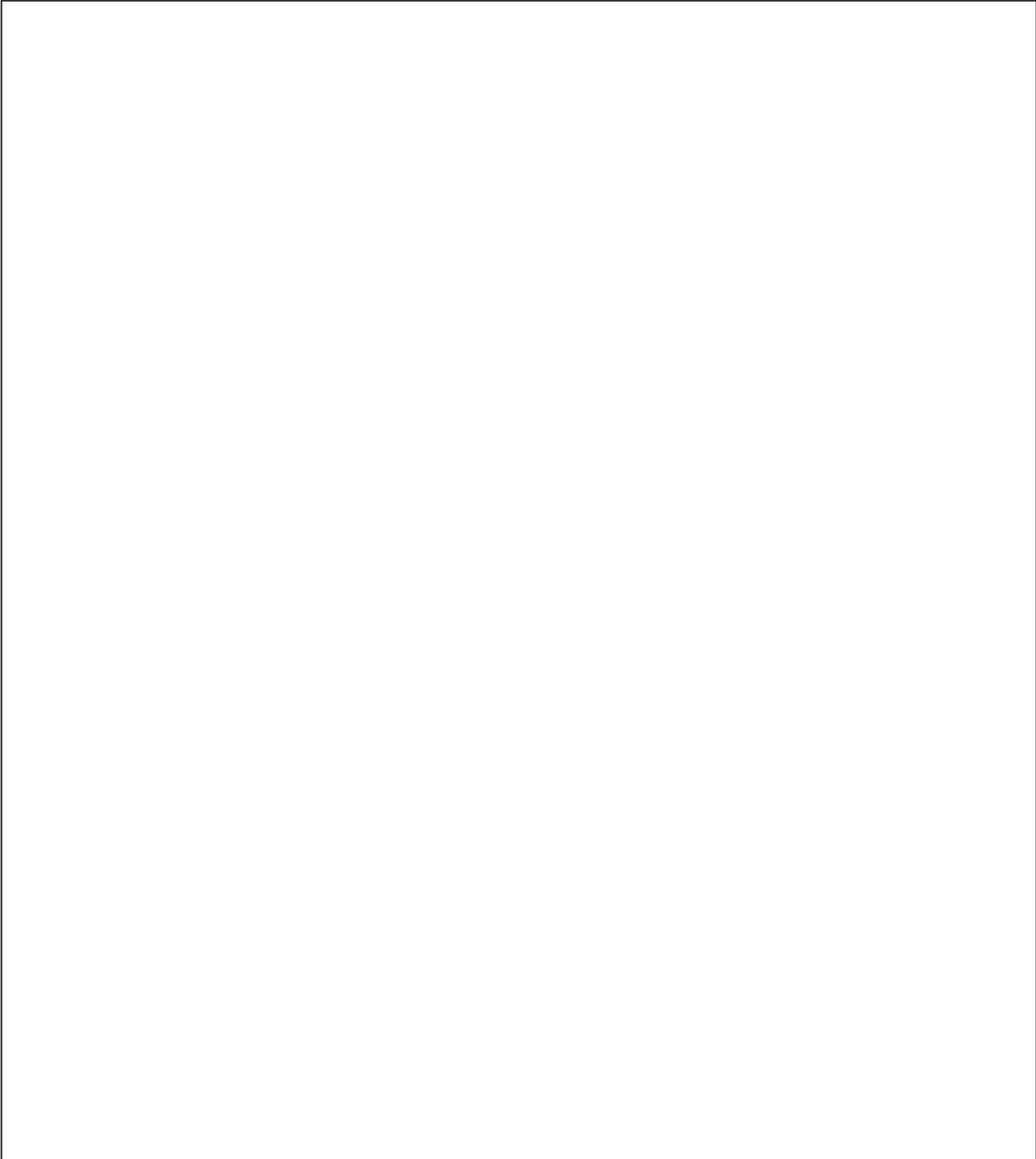


¹⁷
~~SECRET~~



Names and boundary representation are not necessarily authoritative.

~~SECRET~~

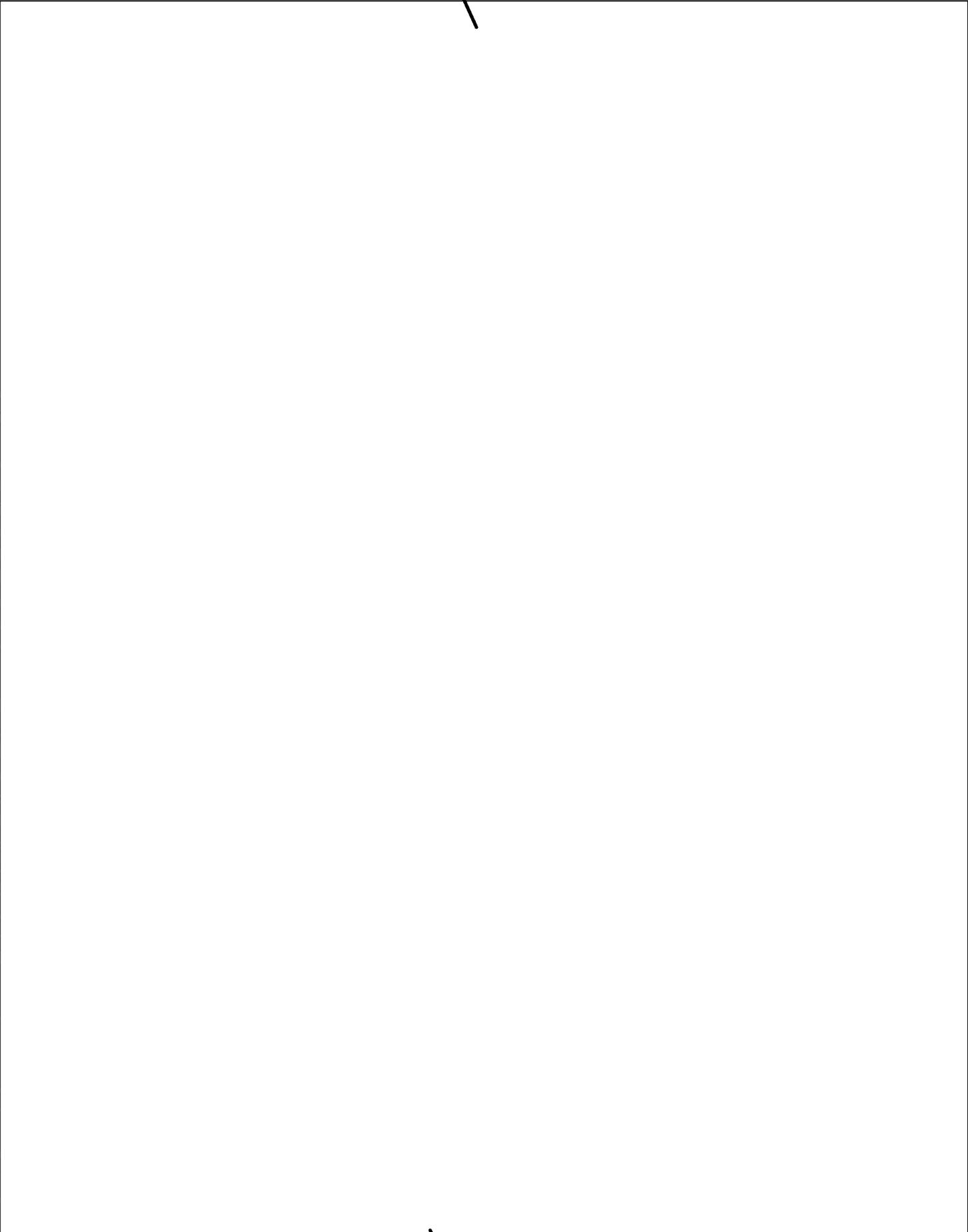


~~SECRET~~

SECRET

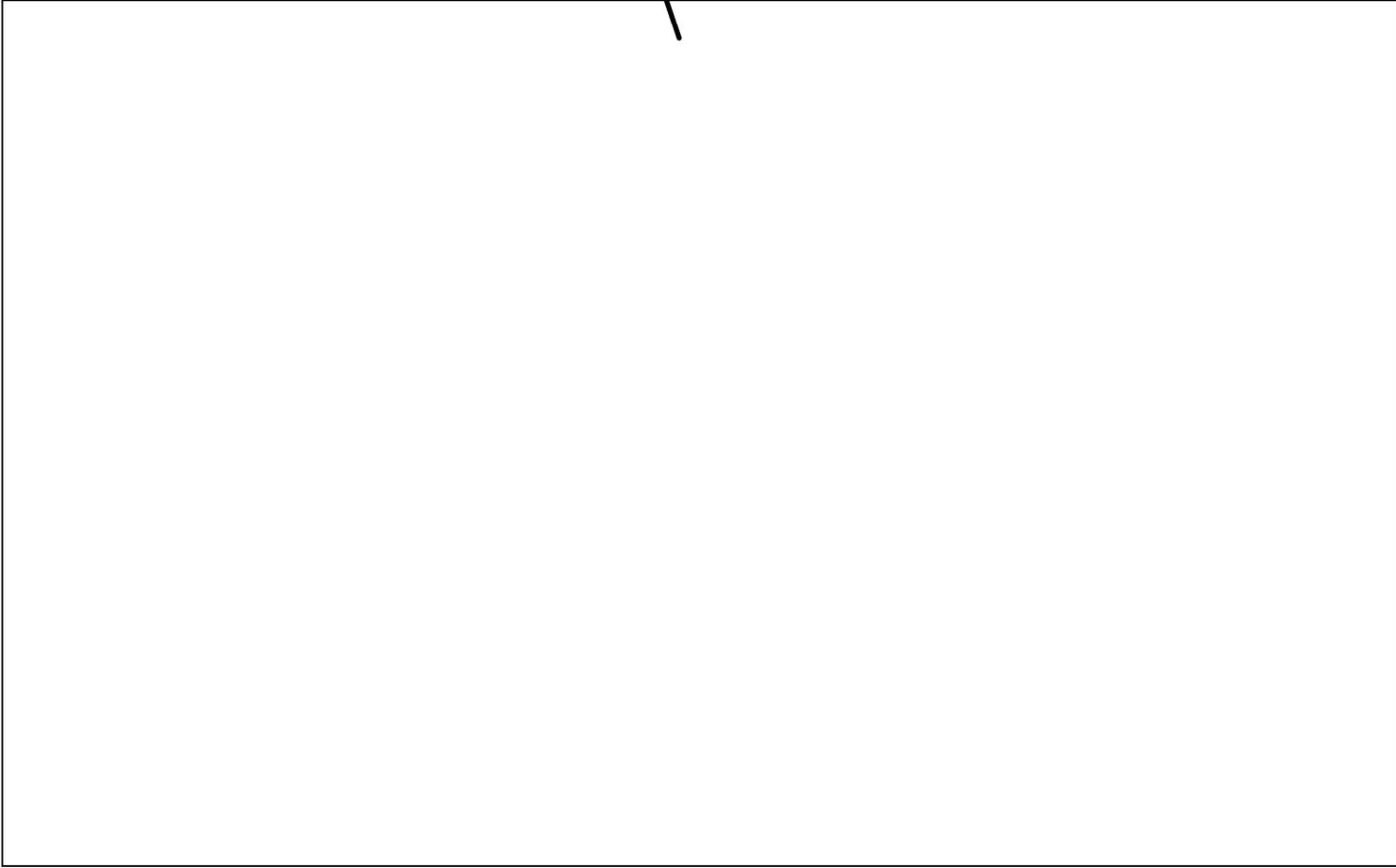
~~50~~
SECRET

~~SECRET~~



~~51
SECRET~~

~~SECRET~~



~~52
SECRET~~

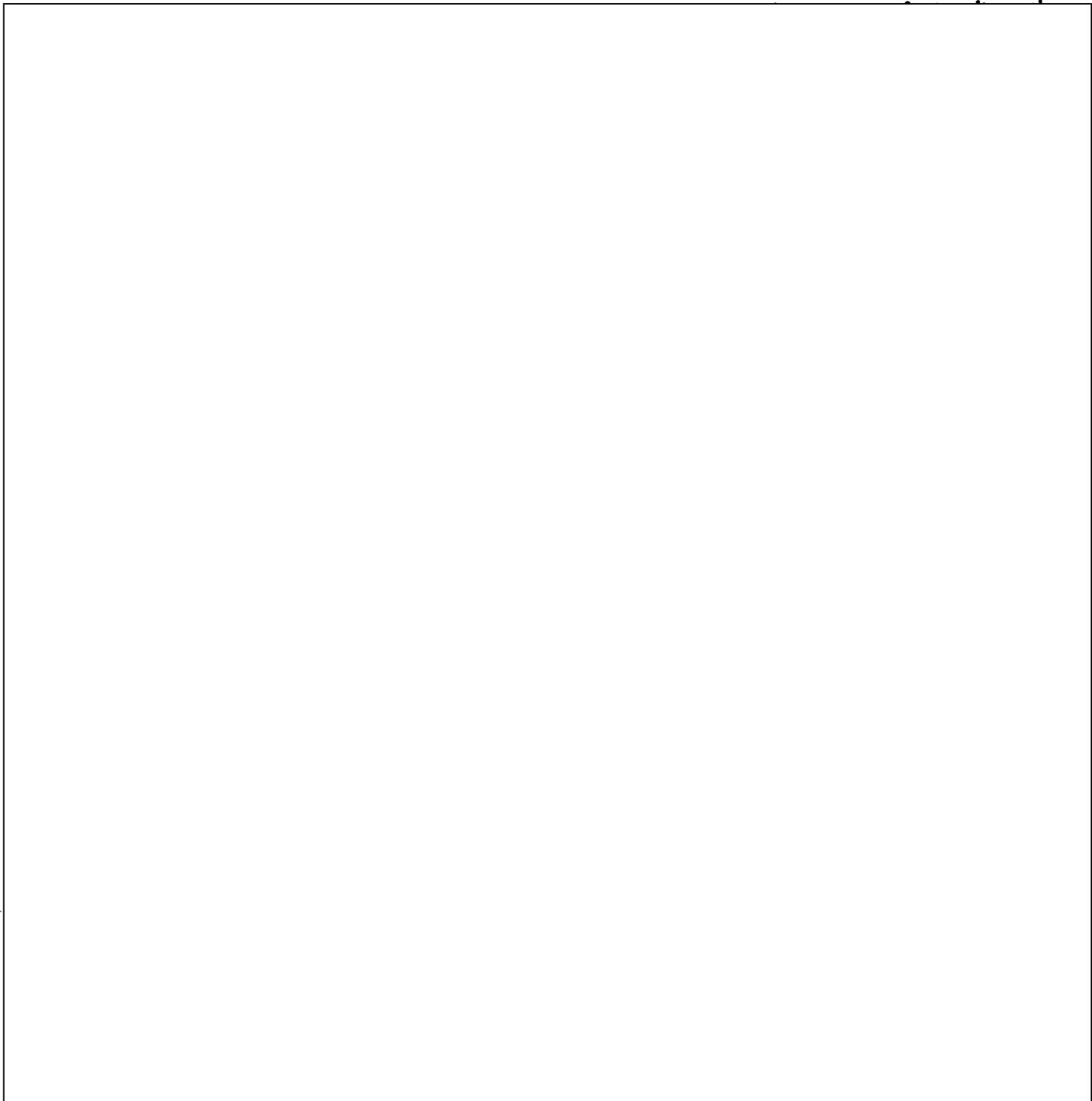
South America



BLANK PAGE

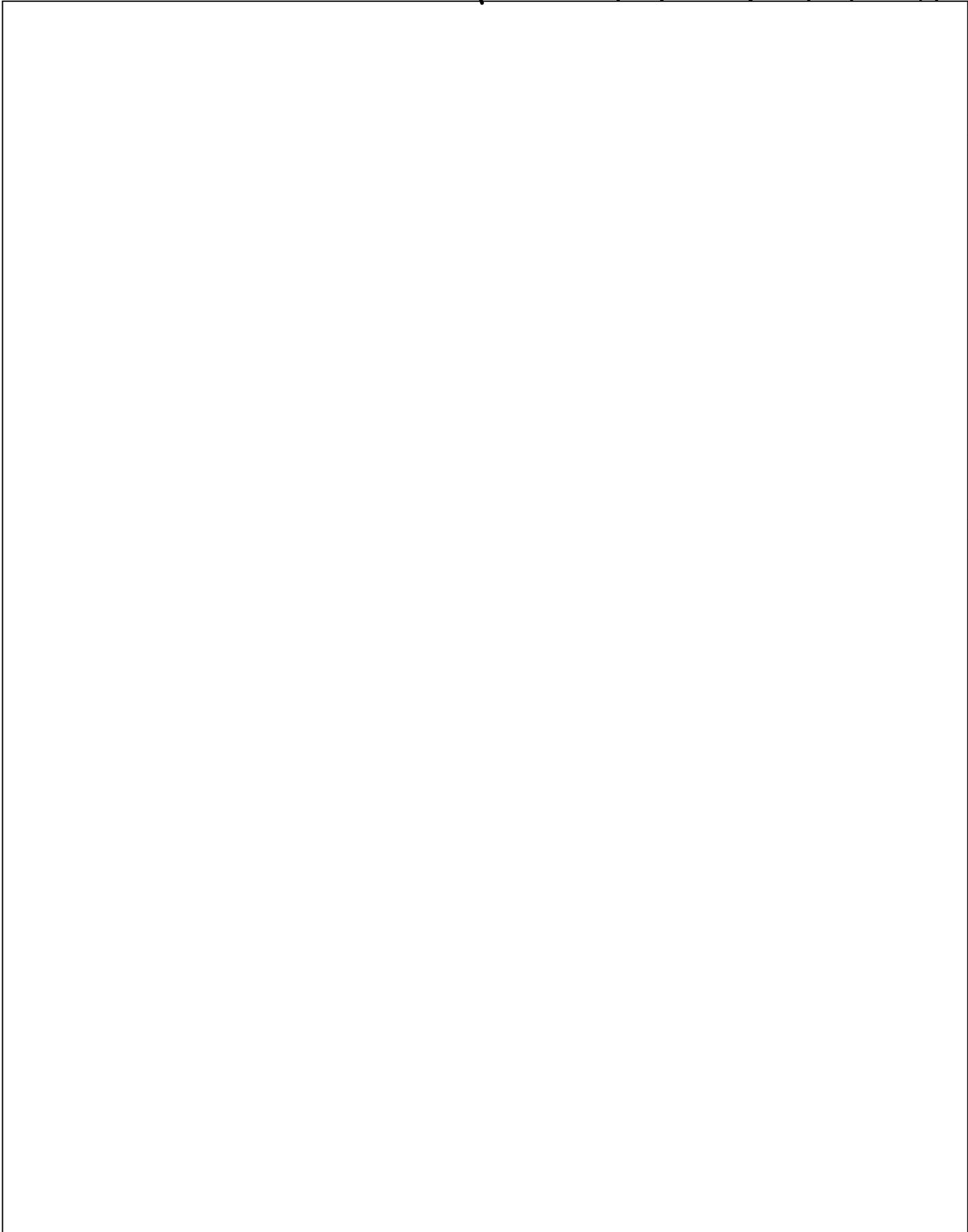
~~SECRET~~

LATIN AMERICA



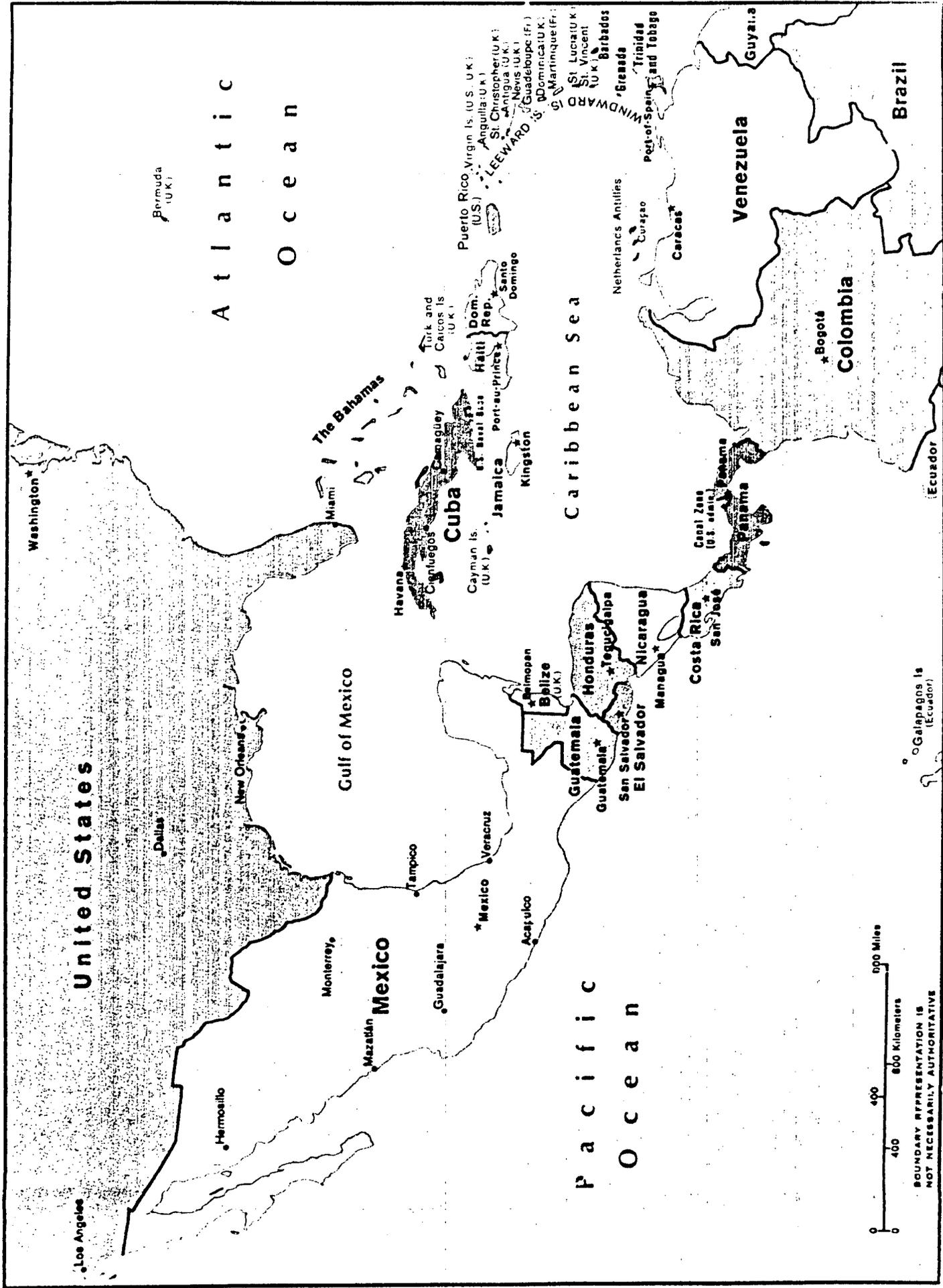
~~65~~
~~SECRET~~

~~SECRET~~



56
~~SECRET~~

Middle America



~~SECRET~~

~~SECRET~~

\$4 million a day—the Cubans will continue to aid Angola and other African and Caribbean countries despite their own economic plight. Foreign policy initiatives will continue, particularly in the Caribbean where the Cubans are realizing generous returns on minimal investments. Although Havana's relations with some South American countries, notably Peru and Argentina, have deteriorated over the past year, there are no signs that the Cuban leadership has resumed the wholesale support of violent revolution in Latin America that it provided in the 1960s. Instead, in those countries with governments hostile to Cuba, Havana is urging revolutionaries to adopt broad-front tactics under the leadership of the local Communist Party.

On the home front, Cuba's prospects for economic growth remain bleak. World sugar prices are not likely to rise enough in the near future to alleviate foreign payments constraints. The country's first five-year plan has already been revised downward at least once, and there is no indication that Moscow can be cajoled into providing additional relief to compensate for reduced imports by the West. The process of institutionalization that has affected virtually all governmental and social organizations throughout Cuba will provide little economic benefit. An early reversal of Cuba's extremely heavy economic dependence on the USSR is thus not in the cards.

For a variety of reasons—partly economic—the Cubans are interested in improving relations with the US and will be looking for signs of a thaw from the new US administration. They would look favorably, for example, on a public statement scoring the terrorist activities of the Cuban exiles. Indeed, a commitment to suppress terrorists will probably be required before the Castro regime agrees to reinstate the Cuban-US understanding on hijacking, due to expire on April 15, 1977. Despite Fidel Castro's notification of cancellation of the understanding last October, he clearly left the way open for discussions leading not only to the reinstatement of the hijacking accord but to the resolution of other problems as well. Even Raul Castro, who as Cuba's ranking conservative heads the element of the leadership that is deeply suspicious of any rapprochement with the US, indicated in early December that Havana is looking to the new administration for a sign of interest in improving relations. The chances of significant political or economic concessions on the part of the Cubans, however, are very slight, no matter what bait might be offered. Neither would a reconciliation change the Castro regime's basic antagonism toward the US.

Cuba

In Cuba, the Castro regime is beginning the new year pleased with its successes abroad but sobered by worsening economic problems at home brought on by low sugar prices in the world market. In the wake of the victory in Angola, the Cubans experienced a sense of revolutionary exhilaration brought about by their new-found military potential. Although Havana was initially cautious about becoming deeply involved in the Angolan civil war, it is fully committed to maintaining the Neto government in power and can be expected to keep a large number of civilian and military personnel (probably on the order of 10,000) in the Angolan area indefinitely—as long as the USSR continues to foot most of the bills.

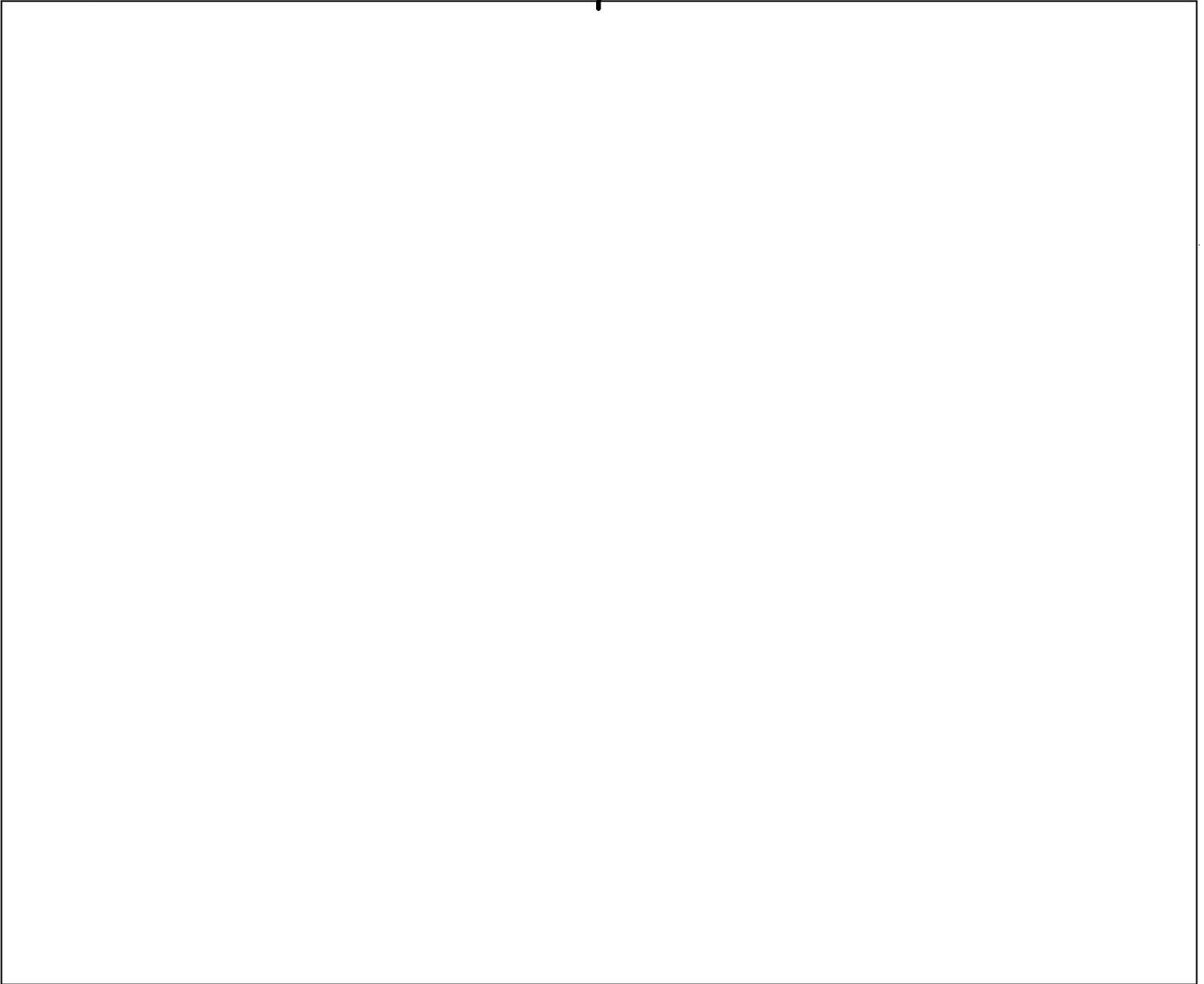
There are signs that the Castro regime would not hesitate to undertake a similar operation if favorable circumstances existed and significant political capital were to be gained. This attitude may eventually change. Angola's persistent insurgency remains to be dealt with, and Cuba, deeply committed to the survival of the Neto regime, has not yet paid the full price in lives for its intervention there.

Since the USSR can be expected to continue providing a high level of economic aid—estimated at

~~SECRET~~

~~60~~
~~SECRET~~

~~SECRET~~



61 /
~~SECRET~~

~~Secret~~

~~Secret~~